LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023

(WITH INDEPENDENT AUDITOR'S REPORT)

FRANKEL

LUTHERAN FAMILY SERVICES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lutheran Family Services of Nebraska, Inc. and Affiliates d/b/a Lutheran Family Services and Affiliates
Omaha, Nebraska

Opinion

We have audited the consolidated financial statements of Lutheran Family Services of Nebraska, Inc. and Affiliates d/b/a Lutheran Family Services and Affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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, 2023, 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 (*Government Auditing Standards*). 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.

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 available to be issued.

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.

- 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the consolidating schedules of financial position and activities 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 September 27, 2024 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.

FRANKEL, LLC

Omaha, Nebraska,
September 27, 2024

LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31		**2023**
ASSETS		
Current assets		
Cash and cash equivalents	$	1,369,270
Cash restricted for scholarships and other programs		94,117
Receivables -		
Service accounts		490,939
Pledges		2,767,958
Grants		7,604,629
Prepaid expenses		274,711
Total current assets		**12,601,624**
Investments		5,015,472
Investment in Josiah Place, Inc.		4,652
Interest in Fremont Area Community Foundation		944,098
Pledges receivable, less current portion		35,000
Net property and equipment		25,892,379
Other		48,390
Operating lease right-of-use asset		1,553,829
Finance lease right-of-use asset		8,086,140
Beneficial interest in perpetual trust		1,259,913
TOTAL ASSETS	**$**	**55,441,497**

LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

DECEMBER 31		2023
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of notes payable	$	8,882,699
Current portion of operating lease liability		371,720
Current portion of finance lease liability		504,543
Accounts payable -		
Trade		1,758,592
Construction		1,126,160
Accrued salaries, wages, vacation and payroll taxes payable		1,755,935
Total current liabilities		**14,399,649**
Notes payable, net of current portion		4,557,172
Operating lease liability, net of current portion		1,193,271
Finance lease liability, net of current portion		7,013,181
Deferred compensation liability		152,732
Deferred income		39,980
Total liabilities		**27,355,985**
Net assets		
Without donor restrictions		10,335,472
With donor restrictions		15,801,489
Non-controlling interest in subsidiary		1,948,551
Total net assets		**28,085,512**
TOTAL LIABILITIES AND NET ASSETS	**$**	**55,441,497**

LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

		Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Program service revenue		5,969,437	---	5,969,437
Government grants	$	16,434,739	---	16,434,739
Private grants		937,915	380,833	1,318,748
Contributions		1,951,860	3,635,000	5,586,860
In-kind contributions		6,080,786	---	6,080,786
United Way		575,179	264,070	839,249
Investment income, net		522,394	326,116	848,510
Rental income		302,749	---	302,749
Other revenue		70,937	---	70,937
Change in value of beneficial interest in perpetual trust		---	103,686	103,686
Net assets released from restrictions		2,691,556	(2,691,556)	---
Total revenue, gains and other support		**35,537,552**	**2,018,149**	**37,555,701**
EXPENSES AND LOSSES				
Expenses				
Program Services		25,344,979	---	25,344,979
Support Services		7,360,934	---	7,360,934
Total expenses		**32,705,913**	**---**	**32,705,913**
CHANGE IN NET ASSETS		**2,831,639**	**2,018,149**	**4,849,788**

LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED STATEMENT OF NET ASSETS

YEAR ENDED DECEMBER 31, 2023

		Without Donor Restrictions	With Donor Restrictions	Non-Controling Interest in Subsidiary	Total
Net Assets, December 31, 2022	$	7,378,351	13,770,840	---	21,149,191
Increase (decrease) in net assets		2,831,639	2,018,149	---	4,849,788
Loss attributable to non-controlling interest		6,836	---	(6,836)	---
Net increase (decrease) in net assets		2,838,475	2,018,149	(6,836)	4,849,788
Net assets acquired through change in control		118,646	12,500	1,955,387	2,086,533
Net Assets, December 31, 2023	**$**	**10,335,472**	**15,801,489**	**1,948,551**	**28,085,512**

LUTHERAN FAMILY SERVICES AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

		Program Services				Support Services				
		Health & Wellness Services	Community Based Services	Housing Services	Total Program Services	Agency Management	Fund Raising/ Public Relations	Total Support Services	Eliminations	Total Expenses
Salaries	$	7,990,398	6,003,785	149,335	14,143,518	2,733,895	995,135	3,729,030	---	17,872,548
Employee benefits		1,073,294	763,334	5,773	1,842,401	459,922	92,045	551,967	---	2,394,368
Payroll taxes		583,056	440,974	35,035	1,059,065	257,953	63,015	320,968	---	1,380,033
Total salaries and related expenses		**9,646,748**	**7,208,093**	**190,143**	**17,044,984**	**3,451,770**	**1,150,195**	**4,601,965**	**---**	**21,646,949**
Legal and accounting fees		58,756	3,550	3,199	65,505	362,952	---	362,952	---	428,457
Professional fees		681,944	809,624	122,054	1,613,622	680,362	257,408	937,770	(108,159)	2,443,233
Foster parent fees		---	541,611	---	541,611	---	---	---	---	541,611
Supplies		114,154	210,665	534	325,353	10,716	114,391	125,107	---	450,460
Telephone		148,614	142,903	---	291,517	22,506	5,555	28,061	---	319,578
Postages and shipping		8,767	9,151	76	17,994	3,621	21,080	24,701	---	42,695
Occupancy cost		520,077	512,937	118,804	1,151,818	260,911	11,557	272,468	---	1,424,286
Travel expenses		156,088	242,767	3,359	402,214	26,262	78,476	104,738	---	506,952
Conference expense		31,747	38,588	---	70,335	24,569	16,349	40,918	---	111,253
Assistance to individuals		66,711	2,695,054	---	2,761,765	606	---	606	---	2,762,371
Equipment repairs and maintenance		42,663	47,988	43,396	134,047	39,770	7,637	47,407	---	181,454
Insurance		201,239	147,061	5,374	353,674	74,073	5,855	79,928	---	433,602
Printing		30,439	28,001	---	58,440	5,804	53,011	58,815	---	117,255
Subscriptions and publications		3,613	1,493	---	5,106	12,048	8,447	20,495	---	25,601
Board expense		211	297	---	508	333	---	333	---	841
Organization dues		8,136	12,430	7,344	27,910	39,891	2,853	42,744	---	70,654
Miscellaneous		37,607	107,523	---	145,130	134,158	6,980	141,138	---	286,268
Interest		175	23,100	---	23,275	158,567	11,211	169,778	---	193,053
Grants to affiliates		---	---	---	---	1,122,949	---	1,122,949	(1,122,949)	---
Total before depreciation and amortization		**11,757,689**	**12,782,836**	**494,283**	**25,034,808**	**6,431,868**	**1,751,005**	**8,182,873**	**(1,231,108)**	**31,986,573**
Depreciation and amortization		163,053	120,542	26,576	310,171	395,585	13,584	409,169	---	719,340
Total expenses	**$**	**11,920,742**	**12,903,378**	**520,859**	**25,344,979**	**6,827,453**	**1,764,589**	**8,592,042**	**(1,231,108)**	**32,705,913**

LUTHERAN FAMILY SERVICE

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31		2023
Cash flows from operating activities		
Change in net assets	$	4,849,788
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation and amortization expense		719,340
Realized and unrealized (gain) loss on investments, net		(612,646)
Change in interest in Fremont Area Community Foundation		(111,949)
Change in value of beneficial interest in perpetual trust		(103,686)
Other		41,035
Inkind contribuiton of property and equipment		(6,070,777)
(Increase) decrease in operating assets		
Receivables-		
Service accounts		35,600
Pledges		2,262,553
Grants		(4,016,251)
Prepaid expenses		(49,389)
Increase (decrease) in operating liabilities		
Accounts payable		825,167
Accrued salaries, wages, vacation and payroll taxes payable		30,026
Deferred Compensation payable		(56,144)
Deferred revenue and refundable advances		39,980
Net cash provided (used) by operating activities		**(2,217,353)**
Cash flows from investing activities		
Proceeds from sale of property and equipment		---
Purchase of property, equipment and intangible assets		(1,967,654)
Sale of investments		4,863,069
Purchase of investments		(2,625,485)
Other		(50,933)
Net cash used by investing activities		**218,997**
Cash flows from financing activities		
Proceeds from issuance of notes payable		1,396,524
Payments on notes payable		(113,468)
Principal payments on finance leases		(499,847)
Net cash provided by financing activities		783,209
NET CHANGE IN CASH AND RESTRICTED CASH		**(1,215,147)**
Cash and restricted cash at beginning of year		2,678,534
Cash and restricted cash at end of year	**$**	**1,463,387**
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Accounts payable for property and equipment	$	485,554
Lease liabilities arising from obtaining right of use assets		789,374
Property and equipment acquired via assumption of debt		10,279,325
Property and equipment acquired via merger		2,100,241

See accompanying notes to financial statements

The financial statements include the accounts of Lutheran Family Services of Nebraska, Inc., d/b/a Lutheran Family Services (Lutheran Family Services) and its affiliates (the Organization). These affiliates include the following entities:

- Lutheran Family Services Foundation, Inc.
- Healthy Housing Omaha
- LFS 25th Avenue Apartments, LLC
- LFS Blair, LLC
- LFS Blair II, LLC
- LFS Blair Suites, LLC, d/b/a Blair Suites Apartments
- Transformation Hill Apartments, LLC

Lutheran Family Services controls the board of directors of Lutheran Family Services Foundation, Inc. and Health Housing Omaha. Lutheran Family Services is the sole member of LFS 25th Avenue Apartments, LLC, LFS Blair, LLC. LFS Blair II, LLC, and LFS Blair Suites, LLC. LFS Blair, LLC is the managing member of Transformation Hill Apartments, LLC. All organizations are organized under the laws of the State of Nebraska. Lutheran Family Services, Lutheran Family Services Foundation, Inc. and Healthy Housing Omaha. are also exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. LFS 25th Avenue Apartments, LLC, LFS Blair, LLC. LFS Blair II, LLC, and LFS Blair Suites, LLC are all single member LLCs and are considered disregarded entities for federal income tax purposes. Transformation Hill Apartments, LLC is considered a partnership with investor members as well as the managing member.

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

Healthy Housing Omaha (HHO) provides services designed to address health and safety concerns frequently seen in substandard housing. HHO works to reduce the economic and mental burden of illness caused by unhealthy housing conditions by utilizing programs that are evidence based and that are holistically designed.

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.

LFS 25th Avenue Apartments, LLC was previously formed to hold property on behalf of Lutheran Family Services. Prior to 2023, the property held by LFS 25th Avenue Apartments, LLC was sold and all remaining assets were transferred to Lutheran Family Services. During 2023 LFS 25th Avenue Apartments, LLC had no assets or activities.

LFS Blair, LLC, LFS Blair II, LLC, and LFS Blair Suites, LLC were formed during 2023 for the purpose of acquiring certain assets commonly known as Dana Village in Blair, Nebraska. The Organization is in the process of further developing these assets to be utilized in Organization operations.

Transformation Hill Apartments, LLC is a low income tax credit property located next to the Dana Village property in Blair, Nebraska. This property is currently undergoing substantial rehabilitation and is expected to be placed in service in 2024.

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

1. Summary of Significant Accounting and Reporting Policies

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, 2023, the Organization had Board designated net assets in the amount of $216,966 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.

1. Summary of Significant Accounting and Reporting Policies - Continued

A. 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.

B. 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.

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.

Cash and cash equivalents	$	1,369,270
Restricted cash		94,117
	$	1,463,387

C. 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. Service accounts receivable balances at January 1, 2023 amounted to $526,539.

The Organization evaluates receivables for credit losses based on experience and circumstances about specific accounts including management's assessments of current financial conditions, forecasts regarding future events and other factors deemed relevant. At December 31, 2023, the estimated allowance for credit losses is approximately $255,600.

D. 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 has been established.

1. **Summary of Significant Accounting and Reporting Policies - Continued**

E. 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.

F. 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.

G. 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 and improvements	7 – 10 years
Building	5 – 40 years
Building improvement	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.

1. Summary of Significant Accounting and Reporting Policies - Continued

H. 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.

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.

1. Summary of Significant Accounting and Reporting Policies - Continued

H. Revenue and Revenue Recognition Donor Restricted Gifts - Continued

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, 2023, 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.

I. 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.

J. Advertising

The Organization expenses advertising costs as incurred. For the year ended December 31, 2023, advertising expense of approximately $20,700 is included in printing expense in the consolidated statement of activities.

K. 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.

1. Summary of Significant Accounting and Reporting Policies - Continued

L. 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.

M. Income Taxes

Lutheran Family Services, Healthy Housing Omaha. 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, LFS Blair, LLC. LFS Blair II, LLC, and LFS Blair Suites, LLC are all single member LLCs and are considered disregarded entities for federal income tax purposes as their activity is reported on the Lutheran Family Services return. Transformation Hill Apartments, LLC is considered a partnership for federal 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, 2023, the Organization had no uncertain tax positions accrued.

N. Adoption of Accounting Standards

Effective January 1, 2023, the Organization adopted the new current expected credit losses guidance in Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The Organization elected to apply the guidance as of January 1, 2023, the beginning of the adoption period. This standard changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change is a shift from an incurred loss model to an expected loss model. Under the standard, disclosures are required to provide financial statement users with information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Agency that are subject to the guidance in ASC 2016-13 are included in the financial statements as program service fees receivable. The impact of adoption was not material to the financial statements.

1. Summary of Significant Accounting and Reporting Policies - Continued

O. Subsequent Events

The Organization considered events occurring through September 27, 2024 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

2. 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:

Financial Assets:		
Cash and cash equivalents	$	1,369,270
Cash restricted for scholarships and other programs		94,117
Receivables -		
Service accounts		490,939
Pledges		2,802,958
Grants		7,604,629
Investments		5,015,472
Interest in Fremont Area Community Foundation		944,098
Beneficial interest in perpetual trust		1,259,913
Total financial assets		19,581,396
Less financial assets not available for general expenditure within one year:		
Cash restricted for scholarships and other programs		94,117
Interest in Fremont Area Community Foundation		944,098
Pledges receivable due after one year		35,000
Beneficial interest in perpetual trust		1,259,913
Endowments		3,910,570
Total financial assets not available for general expenditure		6,243,698
Financial Assets available for general expenditure	$	13,337,698

The Organization has $216,966 of Board designated funds included in investments as of December 31, 2023. 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 11 for further information regarding endowments.

2. Liquidity and Availability - Continued

As part of the Organization's liquidity management plan, the Organization occasionally invests excess cash balances not immediately needed for operations.

3. Pledges Receivable

Pledges receivable as of December 31, 2023 are estimated to be collected as follows:

Within one year	$	2,767,958
In one to five years		35,000
	$	2,802,958

4. Fair Value

Accounting Standards Codification 820 provides the framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

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:

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.

4. Fair Value - Continued

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.

For the year ended December 31, 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following table presents 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, 2023:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	$ 260,210	--	--	--
Mutual funds -				
Domestic	2,073,833	2,073,833	--	--
International	471,471	471,471	--	--
Alternatives	241,174	241,174	--	--
Fixed income securities -				
Corporate bonds	1,686,105	--	1,686,105	--
Government securities	185,192	--	185,192	--
Interest in Fremont Area Community Foundation	944,098	--	--	944,098
Beneficial interest in perpetual trust	1,259,913	--	--	1,259,913
	$ 7,121,996	2,786,478	1,871,297	2,204,011
Investments – other				
Cash surrender value of life insurance	97,487			
	$ 7,219,483			

There were no transfers between levels during 2023.

5. 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 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.

6. 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 statement of activities.

7. Property and Equipment, Net

A summary of property and equipment at December 31, 2023 is as follows:

Land and improvement	$	1,582,359
Building		8,525,410
Building improvements		2,043,340
Furniture and equipment		3,176,125
Vehicles		212,574
Held for future development		1,702,316
Construction in progress		12,758,276
		30,000,400
Less: accumulated depreciation		4,108,021
	$	25,892,379

Depreciation expense of approximately $435,600 is included in depreciation and amortization expense the accompanying consolidated statement of activities.

Construction in progress at December 31, 2023 consists primarily of costs associated with the acquisition and remodel of Transformation Hill Apartments and leasehold improvements for new leased office space. Additional costs to get these assets placed in service will be recognized as incurred. Construction costs are being financed through existing reserves, capital campaign contributions, low income tax credits and debt issuances.

8. Leases

Lessee

The Organization leases certain office facilities for various terms under long-term, non-cancelable operating lease and finance lease agreements. The leases expire at various dates through 2032. The Organization included in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Also, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Total lease costs for the year ended December 31, 2023 were as follows:

Operating lease cost	$	463,915
Variable and short-term lease cost		301,259
Finance lease cost:		
Interest expense		80,480
Amortization of right-of-use assets		283,672
Sublease income		302,749

The following table summarizes the supplemental cash flow information for the year ended December 31, 2023:

Cash paid for amounts included in the measure of lease liabilities		
Operating cash flows from operating leases	$	438,459
Operating cash flows from finance leases		80,913
Financing cash flows from finance leases		499,847
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$	789,374

8. Leases - Continued

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease terms:	
Operating leases	4.69 years
Finance leases	2.33 years
Weighted-average discount rate:	
Operating Leases	3.22%
Finance Leases	1.04%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2023.

	Operating	Finance
2024	$ 415,126	580,327
2025	422,399	641,429
2026	337,592	6,455,327
2027	221,196	--
2028	118,636	--
Thereafter	169,832	--
	1,684,781	7,677,083
Less: Interest	(119,790)	(159,359)
Present value of lease liabilities	$ 1,564,991	7,517,724

Lessor

The Organization classifies its leases at inception as operating, direct financing, or sales-type leases. Direct financing and sales-type leases meet certain criteria that have the economic characteristics of transferring ownership of the underlying asset and are accounted for similar to financing arrangements. For sales-type leases, selling profit is recognized immediately at lease commencement. Selling profit on a direct financing lease is deferred and amortized over the lease term, and a selling loss is recognized at lease commencement. Interest income on the net investment in leases is recognized as direct financing and sales-type lease revenue over the lease term in a manner that produces a constant rate of return on the net investment in the lease. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease. The Organization classifies all the arrangements in which it acts as lessor as operating leases.

The Organization subleases office space to similar not-for-profit organizations. Initial lease terms generally range from five to fifteen years with fixed lease payments ranging from $2,000 per month to $12,768 per month.

8. Leases - Continued

Leased property subject to operating leases at December 31, 2023, and which is included in finance lease right-of-use asset in the consolidated statement of financial position, includes:

Finance lease right-of-use asset	$ 4,164,672
Less accumulated amortization	(208,233)
	$ 3,956,439

Amortization expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the assets to their estimated residual values. Estimated and actual residual values are reviewed on a regular basis to determine that amortization amounts are appropriate. Amortization expense relating to leased property subject to operating leases was $138,822 for 2023, and is included in depreciation and amortization expense in the consolidated statement of activities.

The following table sets forth the lease income recognized on operating leases:

Lease income relating to lease payments	$ 287,089

Revenue from operating leases is included in rental revenue in the consolidated statement of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31, 2023:

Years Ending December 31,	Amounts
2024	$ 310,679
2025	299,425
2026	184,441
2027	176,022
2028	176,022
Thereafter	161,354
	$ 1,307,943

9. Notes Payable

A summary of notes payable at December 31, 2023 is as follows:

Lutheran Family Services – Bank loan payable bearing interest at 2.95% with monthly principal and interest payments of $10,197 from March 2023 through January 2029, at which point a ballon payment of remaining balance is due. The loan is collateralized by certain real property of the Organization.	$ 1,776,409
Lutheran Family Services – Bank loan payable bearing variable interest at the 1 month term "Secured Overnight Finance Rate plus 2.25% (6.25% effective rate at December 31, 2023) with monthly principal and interest payments of $8,491 through February 2029, at which point a ballon payment of the remaining balance is due. The loan is collateralized by certain real property of the Organization.	1,146,906
LFS Blair LLC – SBA note payable bearing interest of 2.75% with monthly principal and interest payments of $1,534 through June 2050.	345,000
LFS Blair LLC – Bank Line of credit payable bearing interest of 4.5% with maturity date of October 2024.	243,370
LFS Blair Suites LLC – Bank loan payable bearing interest of 3.5% with monthly principal and interest payments of $2,331 through October 2025, at which point a balloon payment of the remaining balance is due. The loan is collateralized by all property of the Organization	271,487
LFS Blair Suites LLC – MAPA Foundation non-interest-bearing loan payable with annual principal payments of $28,000 through June 2036.	364,000
Transformation Hill Apartments LLC – HOME Program loan through the Nebraska Department of Economic Development. The loan is deferred and forgivable after satisfaction of the HOME Affordability period of fifteen years, beginning with project completion.	810,000
Transformation Hill Apartments LLC – Bank loan payable bearing interest of 4.25% with principal and interest payments due November 2024.	8,616,970
Loan costs on above	(134,271)
	13,439,871
Less: current portion of notes payable	(8,882,699)
Total notes payable, net of current portion	$ 4,557,172

9. Notes Payable - Continued

The aggregate maturities of all notes payable are as follows:

2024	$ 8,882,699
2025	394,818
2026	146,591
2027	151,376
2028	156,080
Thereafter	3,708,307
	$ 13,439,871

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2023:

Subject to expenditure for specified purpose:	
Diversity scholarships	$ 1,983,970
Real estate development for marginalized populations	3,738,500
Refugee services	155,178
Fremont Area Center for Healthy Families	410,355
Destination Care campaign	475,000
Veterans services	99,723
Children services	237,810
	7,100,536
Subject to the passage of time:	
Pledges receivable for future general program services	2,454,833
United Ways allocation for program services	264,070
Employee retention credit	3,360,000
	6,078,903
Perpetual in nature:	
Beneficial interest in perpetual trust	1,259,913
Support of refugee services programs	500,000
Support of general operations	485,327
Fremont Area Center for Healthy Families	361,729
Heinrichs Education, Leadership and Development	15,081
	2,622,050
	$ 15,801,489

11. 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:

- The duration and preservation of the fund
- The purposes of the Organization and the donor restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The change in endowment net assets for the year ended December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 130,063	4,043,500	4,173,563
Investment return:			
Interest and dividends, net	17,855	59,021	76,876
Net appreciation (realized and unrealized)	69,048	267,095	336,143
Total investment return	86,903	326,116	413,019
Appropriations of endowment assets for expenditure	--	(676,012)	(676,012)
Endowment net assets, end of year	$ 216,966	3,693,604	3,910,570

11. Endowments - Continued

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. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.
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.

12. In-Kind Contributions

During the year ended December 31, 2023, the Organization recognized in-kind contributions with no donor restrictions for program functions of $10,000 for donated supplies. The value of donated supplies were based on the estimated fair value of the donations received. In addition, as a result of the acquisition of the facilities in Blair, the Organization recognized an in-kind contribution of property of $6,070,777. The value of the donated property was based on an appraisal performed by a licensed appraiser adjusted for the consideration given and received.

13. 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 year ended December 31, 2023, was approximately $224,300.

14. 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 year ended December 31, 2023.

The deferred compensation assets related to this plan in the amounts of $80,185 as of December 31, 2023 are included in investments within the accompanying consolidated statement of financial position. A liability of $152,732 as of December 31, 2023 has also been included within the accompanying consolidated statement of financial position as deferred compensation liability.

15. Concentrations of Credit Risk

The Organization has locations throughout the State of Nebraska and surrounding areas. 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 receivable from clients and third-party payors at December 31, 2023 was as follows:

Medicare and Medicaid	36%
Other state/governmental funding	31
Client and other payors	33
	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.

16. 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.

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.

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.

LUTHERAN FAMILY SERVICE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31 — **2023**

		Lutheran Family Services of Nebraska, Inc	Lutheran Family Services Foundation, Inc.	Healthy Housing Omaha	Lutheran Family Services Blair, LLC	Lutheran Family Services Blair II, LLC	Lutheran Family Services Blair Suites, LLC	Transformation Hill Apts. LLC	Eliminations	TOTAL
ASSETS										
Current Assets										
Cash and cash equivalents	$	730,068	318,264	27,309	272,671	---	11,221	9,737	---	**1,369,270**
Cash restricted for scholarships and other programs		74,515	---	---	---	---	19,602	---	---	**94,117**
Receivables										
Service accounts		470,341	---	14,569	---	---	6,029	---	---	**490,939**
Pledges		2,767,958	---	---	---	---	---	---	---	**2,767,958**
Grants		7,776,572	---	279,827	---	---	---	---	(451,770)	**7,604,629**
Affiliates		275,265	---	---	---	---	---	---	(275,265)	**---**
Prepaid expenses		161,153	(2)	6,605	77,108	15,127	14,719	1	---	**274,711**
Total current assets		12,255,872	318,262	328,310	349,779	15,127	51,571	9,738	(727,035)	**12,601,624**
Investments		8,313,866	3,044,358	---	---	---	---	---	(6,342,752)	**5,015,472**
Investment in Josiah Place, Inc.		4,652	---	---	---	---	---	---	---	**4,652**
Interest in Fremont Area Community Foundation		---	944,098	---	---	---	---	---	---	**944,098**
Pledges receivable, less current portion		35,000	---	---	---	---	---	---	---	**35,000**
Net property and equipment		6,310,551	---	119,461	4,744,601	1,702,316	648,602	12,366,848	---	**25,892,379**
Other		---	---	---	---	---	---	48,390	---	**48,390**
Operating lease right-of-use asset		1,174,488	---	379,341	---	---	---	---	---	**1,553,829**
Finance lease right-of-use asset		8,086,140	---	---	---	---	---	---	---	**8,086,140**
Beneficial interest in perpetual trust		---	1,259,913	---	---	---	---	---	---	**1,259,913**
TOTAL ASSETS	**$**	**36,180,569**	**5,566,631**	**827,112**	**5,094,380**	**1,717,443**	**700,173**	**12,424,976**	**(7,069,787)**	**55,441,497**
LIABILITIES AND NET ASSETS										
Current liabilities										
Current portion of notes payable	$	100,258	---	---	253,054	---	46,688	8,482,699	---	**8,882,699**
Current portion of operating lease liability		317,277	---	54,443	---	---	---	---	---	**371,720**
Current portion of finance lease liability		504,543	---	---	---	---	---	---	---	**504,543**
Accounts payable-					---	---				
Trade		1,676,210	12,000	460,954	---	---	3,631	57,567	(451,770)	**1,758,592**
Construction		---	---	---	---	---	---	1,126,160	---	**1,126,160**
Affiliates		---	159,796	---	32,726	37,166	23,273	---	(252,961)	**---**
Accrued salaries, wages, vacation and payroll taxes pa		1,755,935	---	---	---	---	---	---	---	**1,755,935**
Total current liabilities		4,354,223	171,796	515,397	285,780	37,166	73,592	9,666,426	(704,731)	**14,399,649**
Notes payable, net of current portion		2,823,058	---	---	357,619	---	588,799	810,000	(22,304)	**4,557,172**
Operating lease liability, net of current portion		864,239	---	329,032	---	---	---	---	---	**1,193,271**
Finance lease liability, net of current portion		7,013,181	---	---	---	---	---	---	---	**7,013,181**
Deferred compensation liability		152,732	---	---	---	---	---	---	---	**152,732**
Deferred income		---	---	39,980	---	---	---	---	---	**39,980**
Total liabilities		15,207,433	171,796	884,409	643,399	37,166	662,391	10,476,426	(727,035)	**27,355,985**
Net assets:										
Without donor restrictions		8,345,135	2,233,847	(69,797)	(173,399)	(22,039)	21,726	(1)	---	**10,335,472**
With donor restrictions		12,628,001	3,160,988	12,500	---	---	---	---	---	**15,801,489**
Capital/Member's Equity		---	---	---	4,624,380	1,702,316	16,056	1,948,551	(6,342,752)	**1,948,551**
Total net assets		20,973,136	5,394,835	(57,297)	4,450,981	1,680,277	37,782	1,948,550	(6,342,752)	**28,085,512**
TOTAL LIABILITIES AND NET ASSETS		**36,180,569**	**5,566,631**	**827,112**	**5,094,380**	**1,717,443**	**700,173**	**12,424,976**	**(7,069,787)**	**55,441,497**

LUTHERAN FAMILY SERVICE

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31 2023

	Lutheran Family Services of Nebraska, Inc	Lutheran Family Services Foundation, Inc.	Healthy Housing Omaha	Lutheran Family Services Blair, LLC	Lutheran Family Services Blair II, LLC	Lutheran Family Services Blair Suites, LLC	Transformation Hill Apts. LLC	Eliminations	TOTAL
Without Donor Restriction									
REVENUE, GAINS, AND OTHER SUPPORT									
Program service revenue	5,964,209	---	5,228	---	---	---	---	---	**5,969,437**
Government grants	$ 16,154,912	---	279,827	---	---	---	---	---	**16,434,739**
Grants from affiliate	1,122,949	---	---	---	---	---	---	(1,122,949)	**---**
Private grants	916,065	---	21,850	---	---	---	---	---	**937,915**
Contributions	1,940,329	---	---	11,531	---	---	---	---	**1,951,860**
In-kind contributions	6,080,777	---	9	---	---	---	---	---	**6,080,786**
United Way	562,099	---	13,080	---	---	---	---	---	**575,179**
Investment loss, net	6,503	515,891	---	---	---	---	---	---	**522,394**
Rental income	287,089	---	---	1,500	---	14,160	---	---	**302,749**
Other revenue	156,479	---	(80)	416	---	22,281	---	(108,159)	**70,937**
Gain on disposal of property and equipment, net	---	---	---	---	---	---	---	---	**---**
Net assets released from restrictions, including United Way	2,679,056	---	12,500	---	---	---	---	---	**2,691,556**
Total revenue, gains and other support	**35,870,467**	**515,891**	**332,414**	**13,447**	**---**	**36,441**	**---**	**(1,231,108)**	**35,537,552**
EXPENSES AND LOSSES									
Expenses									
Salaries	17,699,827	---	149,335	23,385	---	---	---	---	**17,872,547**
Employee Benefits	2,386,300	---	5,773	2,272	---	24	---	---	**2,394,369**
Payroll taxes	1,343,466	---	35,035	1,532	---	---	---	---	**1,380,033**
Total salaries and related expenses	21,429,593	---	190,143	27,189	---	24	---	---	**21,646,949**
Legal and accounting fees	329,300	12,000	3,199	83,958	---	---	---	---	**428,457**
Professional fees	2,390,681	2,826	122,054	30,104	---	464	5,263	(108,159)	**2,443,233**
Foster parent fees	541,611	---	---	---	---	---	---	---	**541,611**
Supplies	449,925	---	534	---	---	---	---	---	**450,459**
Telephone	319,578	---	---	---	---	---	---	---	**319,578**
Postages and shipping	42,620	---	76	---	---	---	---	---	**42,696**
Occupancy cost	1,275,765	---	122,170	12,971	16,746	---	---	---	**1,427,652**
Travel expenses	503,593	---	3,359	---	---	---	---	---	**506,952**
Conference expense	111,253	---	---	---	---	---	---	---	**111,253**
Assistance to individuals	2,762,371	---	---	---	---	---	---	---	**2,762,371**
Equipment repairs and maintenance	131,607	---	43,396	6,200	251	---	---	---	**181,454**
Insurance	392,276	---	5,374	25,704	5,042	5,206	---	---	**433,602**
Printing	117,255	---	---	---	---	---	---	---	**117,255**
Subscriptions and publications	25,601	---	---	---	---	---	---	---	**25,601**
Board expense	841	---	---	---	---	---	---	---	**841**
Organization dues	63,309	---	7,344	---	---	---	---	---	**70,653**
Miscellaneous	280,136	---	(3,366)	20	---	4,540	1,574	---	**282,904**
Interest	192,352	---	---	700	---	---	---	---	**193,052**
Grants to affiliates and other organizations	---	1,122,949	---	---	---	---	---	(1,122,949)	**---**
Depreciation and amortization	688,283	---	26,576	---	---	4,481	---	---	**719,340**
Total expenses	32,047,950	1,137,775	520,859	186,846	22,039	14,715	6,837	(1,231,108)	**32,705,913**
Excess (Deficiency) of revenue, gains and support, over expenses	**3,822,517**	**(621,884)**	**(188,445)**	**(173,399)**	**(22,039)**	**21,726**	**(6,837)**	**---**	**2,831,639**
Transfer of net assets upon dissolution	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**
Change in net assets without donor restrictions	**3,822,517**	**(621,884)**	**(188,445)**	**(173,399)**	**(22,039)**	**21,726**	**(6,837)**	**---**	**2,831,639**

LUTHERAN FAMILY SERVICE

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31 **2023**

With Donor Restriction										
Private grants		380,833	---	---	---	---	---	---		**380,833**
Contributions		3,635,000	---	---	---	---	---	---		**3,635,000**
United Way		251,570	---	12,500	---	---	---	---		**264,070**
Investment loss, net		253,942	72,174	---	---	---	---	---		**326,116**
Change in value of beneficial interest in perpetual trust		---	103,686	---	---	---	---	---		**103,686**
Net assets released from restrictions		(2,679,056)	---	(12,500)	---	---	---	---		**(2,691,556)**
Change in net assets with donor restrictions		**1,842,289**	**175,860**	---	---	---	---	---	---	**2,018,149**
Change in net assets before non-controlling interest		**5,664,806**	**(446,024)**	**(188,445)**	**(173,399)**	**(22,039)**	**21,726**	**(6,837)**	---	**4,849,788**
Non-Controlling interest in subsidiaries (Gain) Loss		---	---	---	---	---	---	**6,836**		**6,836**
CHANGE IN NET ASSETS		**5,664,806**	**(446,024)**	**(188,445)**	**(173,399)**	**(22,039)**	**21,726**	**(1)**	---	**4,856,624**
Net assets at beginning of year		15,308,331	5,840,860	---	---	---	---	---	---	**21,149,191**
NET ASSETS AT END OF YEAR	**$**	**20,973,137**	**5,394,836**	**(188,445)**	**(173,399)**	**(22,039)**	**21,726**	**(1)**	---	**26,005,815**

LUTHERAN FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

FEDERAL GRANTOR *Pass-through Grantor / Agency* Program Title	Federal Assistance Listing #	Pass-through Entity Identifying #	Passed Through to Subrecipients		Total Expenditures
U.S. DEPARTMENT OF JUSTICE					
City of Omaha					
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	2018-MO-BX-0004	$ ---		72,951
U.S. DEPARTMENT OF STATE					
Church World Services					
Criminal and Juvenile Justice and Mental Health Collaboration Program	19.510	SPRMCO23CA0013	---	2,005,868	
Lutheran Immigration and Refugee Service					
Criminal and Juvenile Justice and Mental Health Collaboration Program	19.510	SPRMCO23CA0011	---	1,151,759	
	Subtotal	Assistance Listing #19.510	---		3,157,627
Total U.S. Department of State			**---**		**3,157,627**
U.S. DEPARTMENT OF TREASURY					
University of Nebraska Medical Center					
Coronavirus State And Local Fiscal Recovery Funds	21.027	36-0130-3005-2023; 36-0130-3005-204	---		75,297
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Nebraska Department of Health and Human Services					
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	2101NEPREP	---		16,715
Direct award					
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	1H79SM084234-02; 6H79TI085442-01M001	210,000		844,687
Nebraska Department of Health and Human Services					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	5885CH11-PAT	---		86,954
Nebraska Department of Health and Human Services					
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2201NEPKIN; 2301NEPKIN	---		399,842
Nebraska Department of Health and Human Services					
Temporary Assistance for Needy Families (TANF) State Programs	93.558	1901NETANF; 2001NETANF	252,815		1,600,951
Nebraska Department of Health and Human Services					
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2201NERSSS; 2101NERNESS; 2301NERSSS; 65996Y3; 65691Y3	---	1,467,249	
Iowa Department of Health and Human Services					
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	FIEUGVJ8BGP6	---	47,197	
	Subtotal	Assistance Listing #93.566			1,514,446
Subtotal			462,815		4,463,595

LUTHERAN FAMILY SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

YEAR ENDED DECEMBER 31, 2023

FEDERAL GRANTOR *Pass-through Grantor / Agency* Program Title	Federal Assistance Listing #	Pass-through Entity Identifying #	Passed Through to Subrecipients		Total Expenditures
US Department of Health and Human Services subtotal carried forward			$ 462,815		$ 4,463,595
Church World Services					
Refugee and Entrant Assistance Voluntary Agency Programs	93.567		---	531,222	
Lutheran Immigration and Refugee Service					
Refugee and Entrant Assistance Voluntary Agency Programs	93.567	2302MDRVMG	---	488,034	
	Subtotal	Assistance Listing #93.567			1,019,256
Direct award					
Refugee and Entrant Assistance Discretionary Grants	93.576	90Zz0015-01-00; 90Z10158-01-00; 90ZR0081-02-00	---	613,248	
Nebraska Department of Health and Human Services					
Refugee and Entrant Assistance Discretionary Grants	93.576	90RP0124-01-01	---	205,071	
Lutheran Immigration and Refugee Service					
Refugee and Entrant Assistance Discretionary Grants	93.576	90RP0124-01-01; 90RP0 124-02	---	1,069,240	
	Subtotal	Assistance Listing #93.576			1,887,559
Lutheran Immigration and Refugee Service					
Unaccompanied Alien Children Program	93.676	90ZU0318-03-04	---		368,773
US Committee for Refugees and Immigrants					
Services to Victims of a Severe Form of Trafficking	93.598	90zv0137-01-00; 90zv0-136-01-00; 90zv0235-01-00	---		78,456
Nebraska Department of Health and Human Services					
Foster Care Title IV-E	93.658	2201NEFOST; 2301NEFOST	---		27,725
Direct Award					
Certified Community Behavioral Health Clinic Expansion Grants	93.696	1H79SM086840-01; 1H79SM086962-01	---		1,711,623
Behavioral Health Region 6					
Block Grants for Community Mental Health Services	93.958	B09SM083814; B09M086022	---		92,317
Behavioral Health Region 5					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010034-18	---	24,000	
Behavioral Health Region 6					
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI084658	---	8,028	
	Subtotal	Assistance Listing #93.959			32,028
Total U.S. Department of Health and Human Services			$ **462,815**		**9,681,332**
Total Federal Assistance			**$ 462,815**		**12,987,207**

Notes to Schedule of Federal Awards

1. Basis of Accounting

The above schedule of Federal award expenditures includes the Federal grant activity of Lutheran Family Services and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

2. Indirect Cost Rate

The Agency did not elect to use the 10% de minimis cost rate.

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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*

The Board of Directors
Lutheran Family Services
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 (the Agency), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 matter that is required to be reported under *Government Auditing Standards*.

Purpose of the 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* considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FRANKEL, LLC

Omaha, Nebraska
September 27, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Lutheran Family Services
Omaha, Nebraska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lutheran Family Services' (the Agency) compliance with the types of requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2023. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency 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, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Lutheran Family Services 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 programs. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

Other Matters—Federal Expenditures Not Included in the Compliance Audit

The Agency's basic financial statements include the operations of two subsidiaries, which expended federal awards which are not included in the Agency's schedule of expenditures of federal awards during the year ended December 31, 2023. Our audit, described in the Opinion on Each Major Federal Program section, did not include the operations of these subsidiaries because they separately engaged other auditors to perform an audit of compliance or otherwise would not be subject to a compliance audit in accordance with the Uniform Guidance.

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 Agency's federal programs.

Auditor's Responsibilities 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 Agency'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 generally accepted auditing standards, *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 Agency's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Agency'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 Agency'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 Agency'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.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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 weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Frankel, LLC

Omaha, Nebraska
September 27, 2024

LUTHERAN FAMILY SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Identification of major programs

Assistance Listing Number	Name of Federal Program or Cluster
19.510	U.S. Refugee Admissions Program
93.576	Refugee and Entrant Assistance Discretionary Grants
93.567	Refugee and Entrant Assistance Voluntary Agency Programs
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

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

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

LUTHERAN FAMILY SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2023

2022-001 Financial Reporting

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: The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires tremendous detail. The financial statements prepared by management for the audit required a material adjusting entry and several net asset reclassifications in order to properly reflect the Organization's activities in the financial statements in accordance with FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*.

Cause: The Organization prepares its internal financial statements without consideration of reflecting activities in separate net asset classifications for net assets with and without donor restrictions as required by FASB ASC 958- 205. In addition, as a result of the dissolution of one of the Organization's affiliates, Omaha Church Center, Inc., activities of the affiliate and transactions between Lutheran Family Services and its affiliate were not properly reflected in the consolidated financial statements.

Effect: A material adjustment and several reclassifications were required to correct misstatements in the financial statements to accurately present the financial statements of the Organization in accordance with GAAP and properly reflect activities by the appropriate net asset classification.

Current Year Status – Appropriate action was taken and this finding is considered resolved.

2022-002 Preparation of Schedule of Expenditures of Federal Awards

Criteria: Proper controls over financial reporting includes the ability to prepare the schedule of expenditures of federal awards (Schedule) and accompanying notes to the Schedule.

Condition: The Organization does not have an internal control system designed to provide for a complete an accurate Schedule being audited. The auditors were requested to assist with the preparation of the Schedule.

Cause: Auditor assistance with preparation of the Schedule is not unusual as the Schedule has unique and specialized requirements and preparation is only required when the Organization meets a specified threshold of federal expenditures.

Effect: The initial Schedule prepared by management of the Organization excluded two Federal awards and misclassified several awards in the schedule. Numerous revisions to the Schedule were required for complete and accurate presentation.

Current Year Status – Appropriate action was taken and this finding is considered resolved.

2022-003 Special Tests and Provisions

Criteria: 2 CFR 200.303(a) establishes that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and conditions of the federal award. Furthermore, the Cooperative Agreements entered into by the Organization and its funding agencies contain documentation requirements related to refugee case files which must be maintained.

Condition: Refugee case files, specifically related to the Afghan Placement and Assistance Program, lacked certain documentation required by the Cooperative Agreements.

Cause: Due to the high volume of Afghan Placement and Assistance Program arrivals in a short time span, the Organization was directed by its funding agencies to focus first on the provision of services to the clients, knowing that documentation of such services may be lacking. Furthermore, due to the demands of the program, the Organization also experienced considerable turnover in program staff which led to a lack of completion and maintenance of the documentation required by the Cooperative Agreements.

Effect: Refugee case files were incomplete and lacked the documentation required by the Cooperative Agreements.

Current Year Status – Appropriate action was taken and this finding is considered resolved.