# Lutheran Social Services of Northern California and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2023
(With Comparative Totals for 2022)

armanino

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lutheran Social Services of Northern California and Subsidiary
Concord, California

**Opinion**

We have audited the accompanying consolidated financial statements of Lutheran Social Services of Northern California (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lutheran Social Services of Northern California and Subsidiary as of June 30, 2023, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lutheran Social Services of Northern California and Subsidiary 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.

**Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases* as of July 1, 2022. Our opinion is not modified with respect to that matter.

**Responsibilities of Management for the Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Social Services of Northern California and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 generally accepted auditing standards 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, including omissions, are considered material if there is a 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 generally accepted auditing standards 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 consolidated 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 consolidated 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 Lutheran Social Services of Northern California and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lutheran Social Services of Northern California and Subsidiary'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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 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 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.

**Report on Summarized Comparative Information**

We have previously audited Lutheran Social Services of Northern California and Subsidiary's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Francisco, California

January 3, 2024

# Lutheran Social Services of Northern California and Subsidiary
## Consolidated Statement of Financial Position
### June 30, 2023
### (With Comparative Totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 201,376 | $ 104,365 |
| Restricted cash - cash held for agencies in trust | 2,022,159 | 1,287,302 |
| Investments | 131,010 | 125,569 |
| Grants and contributions receivables, net | 3,666,574 | 4,524,854 |
| Prepaid expenses and other assets | 194,030 | 124,753 |
| Operating lease right-of-use assets, net | 3,499,760 | - |
| Property and equipment, net | 3,010,028 | 2,825,796 |
| Total assets | $ 12,724,937 | $ 8,992,639 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable | $ 569,762 | $ 757,311 |
| Accrued expenses | 670,593 | 677,640 |
| Amounts payable to agencies in trust | 2,022,159 | 1,287,302 |
| Refundable advances | 691,770 | 904,240 |
| Revolving line of credit | 1,012,843 | 450,000 |
| Note payable | 147,548 | 159,308 |
| Operating lease liabilities | 3,166,405 | - |
| Total liabilities | 8,281,080 | 4,235,801 |
| Net assets | | |
| Without donor restrictions | | |
| Undesignated | 3,195,447 | 3,210,950 |
| Board designated | 250,000 | 250,000 |
| Total without donor restrictions | 3,445,447 | 3,460,950 |
| With donor restrictions | 998,410 | 1,295,888 |
| Total net assets | 4,443,857 | 4,756,838 |
| Total liabilities and net assets | $ 12,724,937 | $ 8,992,639 |

The accompanying notes are an integral part of these consolidated financial statements.

Lutheran Social Services of Northern California and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|---|---|---|---|---|
| Revenues, gains (losses), and other support | | | | |
| Contract revenue | $ 14,600,395 | $ 291,799 | $ 14,892,194 | $ 13,949,592 |
| Grants and contributions | 1,612,125 | - | 1,612,125 | 1,405,664 |
| In-kind contributions | 329,498 | - | 329,498 | 379,603 |
| Investment income (loss), net | 6,430 | - | 6,430 | (15,343) |
| Other revenue | 343,519 | - | 343,519 | 636 |
| Rental income | 69,772 | - | 69,772 | 116,490 |
| Net assets released from restrictions | 589,277 | (589,277) | - | - |
| Total revenues, gains (losses), and other support | 17,551,016 | (297,478) | 17,253,538 | 15,836,642 |
| Functional expenses | | | | |
| Program services | 16,085,566 | - | 16,085,566 | 15,013,578 |
| Management and general | 1,151,595 | - | 1,151,595 | 1,396,552 |
| Fundraising | 329,358 | - | 329,358 | 301,612 |
| Total functional expenses | 17,566,519 | - | 17,566,519 | 16,711,742 |
| Change in net assets | (15,503) | (297,478) | (312,981) | (875,100) |
| Net assets, beginning of year | 3,460,950 | 1,295,888 | 4,756,838 | 5,631,938 |
| Net assets, end of year | $ 3,445,447 | $ 998,410 | $ 4,443,857 | $ 4,756,838 |

The accompanying notes are an integral part of these consolidated financial statements.

Lutheran Social Services of Northern California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | Money Management Services | Housing for Youth | Housing for Families and Adults | Other Program | Total Program Services | Management and General | Fundraising | 2023 Total | 2022 Total |
|---|---|---|---|---|---|---|---|---|---|
| Salaries and benefits | $ 1,297,032 | $ 1,493,289 | $ 3,997,865 | $ - | $ 6,788,186 | $ 584,467 | $ 250,371 | $ 7,623,024 | $ 6,919,234 |
| Client assistance | - | 2,199,696 | 3,975,208 | 9,542 | 6,184,446 | 13,679 | - | 6,198,125 | 6,166,678 |
| Professional fees | 58,110 | 60,372 | 731,812 | - | 850,294 | 97,419 | 13,665 | 961,378 | 1,115,276 |
| Occupancy | 100,138 | 172,006 | 344,112 | - | 616,256 | 15,821 | 22,322 | 654,399 | 681,929 |
| Supplies | 36,397 | 10,949 | 197,035 | - | 244,381 | 13,716 | 3,350 | 261,447 | 255,401 |
| Equipment and building repairs | 56,777 | 112,167 | 63,804 | - | 232,748 | 26,371 | 3,892 | 263,011 | 170,604 |
| Depreciation | 37,694 | 17,538 | 43,620 | 6,645 | 105,497 | 166,481 | 7,802 | 279,780 | 249,750 |
| Telephone | 30,034 | 34,169 | 115,530 | - | 179,733 | 59,665 | 2,385 | 241,783 | 208,133 |
| Other | 62,953 | 24,370 | 440,851 | - | 528,174 | 36,834 | 734 | 565,742 | 600,937 |
| Insurance | 13,642 | 16,106 | 56,876 | - | 86,624 | 18,622 | 2,829 | 108,075 | 80,423 |
| Travel | 6,564 | 43,714 | 49,457 | - | 99,735 | 3,617 | 4,016 | 107,368 | 92,994 |
| Printing and duplicating | 7,861 | 14,707 | 36,389 | 304 | 59,261 | 17,931 | 885 | 78,077 | 60,574 |
| Outreach and education | - | 6,116 | 2,425 | - | 8,541 | 6,063 | 11,701 | 26,305 | 20,947 |
| Postage | 9,998 | 465 | 3,408 | - | 13,871 | 15,632 | 3,295 | 32,798 | 31,714 |
| Staff and Board | 8,823 | 6,647 | 14,151 | - | 29,621 | 5,385 | 539 | 35,545 | 37,085 |
| Dues and subscriptions | - | 1,590 | 264 | - | 1,854 | 5,589 | 1,572 | 9,015 | 9,779 |
| Interest | - | 5,879 | 554 | - | 6,433 | 64,303 | - | 70,736 | 10,284 |
| Bad debt expense | - | 33,772 | 16,139 | - | 49,911 | - | - | 49,911 | - |
| | $ 1,726,023 | $ 4,253,552 | $ 10,089,500 | $ 16,491 | $ 16,085,566 | $ 1,151,595 | $ 329,358 | $ 17,566,519 | $ 16,711,742 |

The accompanying notes are an integral part of these consolidated financial statements.

Lutheran Social Services of Northern California and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Change in net assets | $ (312,981) | $ (875,100) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 279,780 | 249,750 |
| Net realized and unrealized (gain) loss on investments | (5,441) | 20,666 |
| Reduction in carrying amount of operating lease right-of-use assets | 793,206 | - |
| Changes in operating assets and liabilities | | |
| Grants and contributions receivables, net | 858,280 | (194,416) |
| Prepaid expenses and other assets | (69,277) | (29,262) |
| Accounts payable and accrued expenses | (194,596) | 128,954 |
| Amounts payable to agencies in trust | 734,857 | (20,324) |
| Refundable advances | (212,470) | 259,279 |
| Operating lease liabilities | (1,126,561) | - |
| Net cash provided by (used in) operating activities | 744,797 | (460,453) |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (464,012) | (616,891) |
| Net cash used in investing activities | (464,012) | (616,891) |
| Cash flows from financing activities | | |
| Principal payments on note payable | (11,760) | (11,324) |
| Principal payments on revolving line of credit | (1,437,157) | - |
| Borrowings on revolving line of credit | 2,000,000 | 450,000 |
| Net cash provided by financing activities | 551,083 | 438,676 |
| Net increase (decrease) in cash and restricted cash | 831,868 | (638,668) |
| Cash and restricted cash, beginning of year | 1,391,667 | 2,030,335 |
| Cash and restricted cash, end of year | $ 2,223,535 | $ 1,391,667 |

| | | |
|---|---|---|
| Cash and restricted cash consisted of the following: | | |
| Cash and cash equivalents | $ 201,376 | $ 104,365 |
| Restricted cash - cash held for agencies in trust | 2,022,159 | 1,287,302 |
| | $ 2,223,535 | $ 1,391,667 |

The accompanying notes are an integral part of these consolidated financial statements.

Lutheran Social Services of Northern California and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

| | 2023 | 2022 |
|---|---|---|
| **Supplemental disclosures of cash flow information** | | |
| Cash paid during the year for | | |
| Interest | $ 70,182 | $ 10,187 |
| **Supplemental schedule of noncash investing and financing activities** | | |
| Right-of-use lease assets obtained in exchange of lease obligations | $ 4,292,966 | $ - |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. NATURE OF OPERATIONS

Lutheran Social Services of Northern California ("LSSNC") was founded in July 1968 as a California non-profit organization headquartered in Concord, California. LSSNC serves as a social service agency to all of Northern California by providing professional counseling and promotion of welfare work to all persons within society. LSSNC's principal sources of funding are contract service fees from governmental agencies and contributions.

Lutheran Housing Development Company LLC ("LHDC"), is a single member California limited liability company of which LSSNC is the single member. LHDC's purpose is to hold real property for use in LSSNC's services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting and financial statement presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP") applicable to nonprofit organizations. The assets, liabilities and operations of LHDC are consolidated with LSSNC (collectively, the "Organization"). All significant inter-company transactions have been eliminated in consolidation.

The Organization reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Includes net assets available for use in general operations and not subject to donor restrictions. The Organization's board may designated net assets without donor restrictions for specific purposes. Donor restricted contributions whose restrictions are met in the same reporting period, are reported as unrestricted support.
- *Net assets with donor restrictions* - Includes net assets subject to donor-imposed restrictions. 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.

### Cash and cash equivalents

Cash and cash equivalents of cash and all highly liquid instruments with an original maturity of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash held for agencies in trust

The Organization has established a relationship with social security recipients (the "Recipients") through city and county contracts, whereby the Recipients' social security checks are deposited into specific Organization bank accounts and are withdrawn by the Recipients in accordance with budgets established by the Recipient with the counsel of the Organization. The cash is legally owned by the Recipients, and they may withdraw their cash from the program at any time. Cash held by the Organization on behalf of the Recipients is presented on the accompanying consolidated statements of financial position as cash held for agencies in trust with a corresponding liability presented as amounts payable to agencies in trust.

Investments

Investments are valued at fair value with realized and unrealized gains and losses reflected in the accompanying consolidated statements of activities.

Property and equipment

Property and equipment are reported at cost. Donated items are carried at estimated fair value when received.

Depreciation of both purchased and donated items are computed using the straight-line method over the estimated useful lives:

| | |
|---|---|
| Buildings and improvements | 5 - 30 years |
| Furniture and equipments | 10 years |
| Automobiles | 5 years |

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year.

Grants and contributions receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. There was an allowance of $12,500 as of June 30, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

In accordance with financial accounting standards, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Such standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value within a fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

- *Level 1* - instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- *Level 2* - instrument valuations are obtained from readily-available pricing sources for comparable instruments.
- *Level 3* - instrument valuations are obtained without observable market values and require a high level of judgment to determine the fair value.

Revenue recognition

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

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows only when material and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Organization's contract revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has not been awarded cost reimbursable grants that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

Donated goods and property are recognized as contributions based on the estimated fair value at the date the contribution is made. Donated services are recognized as contributions at their estimated fair value in those instances in which they enhance non-financial assets or the Organization would have had to acquire such services if they had not been donated and are provided by individuals with specialized skills.

Income taxes

LSSNC and LHDC are organized under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, the Organization is exempt from paying Federal and California income taxes except on any unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2023.

The Organization has adopted the accounting guidance related to uncertain tax positions, and has evaluated its tax positions taken for all open tax years. In management's judgment there are no uncertain tax positions as of June 30, 2023.

Functional allocation of expenses

Costs of providing the Organization's programs and other activities have been presented in the accompanying consolidated statement of functional expenses. Expenses are charged to programs and supporting services on the basis of the Organization's estimates. Direct identification of specific expenses is the Organization's preferred method of charging expenses to various functions. The Organization has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting activities. Expenses are allocated by management among programs and supporting services based on salary expense, staff time, square footage, or direct charges.

Concentrations and credit risk

Occasionally the Organization's bank and investment balances exceed Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insured limits. The Organization has not experienced and does not anticipate any losses related to these accounts.

The Organization's accounts for contributions and grants receivable are unsecured and the Organization is at-risk to the extent that such amounts become uncollectible. The Organization estimates its allowances for doubtful accounts and uncollectible contributions and grants based on known facts and historical trends.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses as of the date and for the period presented. Accordingly, actual events and results could differ from those assumptions and estimates.

Change in accounting principle

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, Accounting Standards Codification ("ASC") Topic 842 ("ASC 842"). ASC 842 is the comprehensive lease standard that supersedes the previous authoritative lease accounting guidance contained in ASC 840. ASC 842 requires a lessee to recognize assets and liabilities related to long-term leases that were classified in its statement of financial position as operating leases under previous guidance. A leased asset, referred to as a right-of-use asset, is to be recognized related to the right to use the underlying asset and a lease related liability is to be recognized related to the lease payment obligations over the term of the lease, and includes options to extend that management reasonably expects to exercise. ASC 842 also requires expanded disclosures surrounding leases.

The Organization adopted ASC 842, with an initial application date of July 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements.* The Organization did not restate prior periods as presented under ASC 842 and instead, evaluated whether a cumulative adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of adoption of ASC 842. Management determined no cumulative effect adjustment to net assets as of July 1, 2022, was necessary.

As part of the allowable transition method, the Organization elected to apply the following practical expedients:

- Election not to reassess whether any expired or existing contracts are, or contain, leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election to use the risk-free interest rate as the discount rate.
- Election not to reassess initial direct costs on any existing leases.
- Election whereby the lease and nonlease components will not be separated for leases of facilities and equipment.

The Organization evaluates whether new contracts are a lease at the contract inception or for a modified contract at the modification date. In calculating the present value of the right-of-use assets and liabilities the Organization includes lease renewals and or termination options. If it is reasonably certain that a renewal or termination option will be exercised, the exercise of the options is considered in calculating the term of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, an initial lease liability of $4,292,966, which represents the present value of the remaining operating lease payments discounted using risk free rates ranging from 2.84% to 2.88%, and a right-of-use asset of $4,292,966.

The standard had a material impact to the Organization's statement of financial position as of June 30, 2023, but did not have a material impact on the Organization's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases on the statement of financial position as of June 30, 2023.

Leases

The Organization leases facilities under operating leases. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization has entered into various short-term leases for property used in its programs.

Subsequent events

The Organization has evaluated subsequent events through January 3, 2024, the date the accompanying consolidated financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the accompanying consolidated financial statements.

## 3. INVESTMENTS

The Organization's investments are held in a pooled trust account. The asset allocation of the investments in the pooled trust account as of June 30, 2023 is as follows:

| | |
|---|---|
| Domestic equities | $ 35,373 |
| International equities | 43,233 |
| Bond funds | 22,766 |
| Alternative investments | 18,341 |
| Real estate securities | 6,550 |
| Money market | 4,747 |
| | $ 131,010 |

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

| | Level 1 | Level 2 | Level 3 | Fair Value |
|---|---|---|---|---|
| Investments in pooled trust account | $ - | $ 131,010 | $ - | $ 131,010 |

## 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

| | |
|---|---|
| Buildings and improvements | $ 3,754,575 |
| Land | 753,070 |
| Furniture and equipment | 860,509 |
| Vehicles | 75,637 |
| | 5,443,791 |
| Accumulated depreciation | (2,433,763) |
| | $ 3,010,028 |

Depreciation expense for the year ended June 30, 2023 was $279,780.

## 5. REVOLVING LINE OF CREDIT

The Organization opened a revolving line of credit ("line of credit") with a maximum borrowing amount of $1,300,000, maturing June 2026. In June of 2023, the maximum borrowing rate increased to $1,650,000. The line of credit is secured by real property of the Organization. The variable interest rate is subject to a minimum rate of no less than 7.50% (7.75% at June 30, 2023). The rate will update monthly through maturity. Interest payments on outstanding principal are due monthly. The Organization had an outstanding balance of $1,012,843 on the line of credit as of June 30, 2023.

## 6. NOTE PAYABLE

The Organization's debt obligations as of June 30, 2023 are as follows:

| | | |
|---|---|---|
| Note payable to a bank; interest rate at the U.S. three-year treasury constant maturity plus 0.125% adjusted weekly, plus 3% (7.6% at June 30, 2023); principal and interest payments based on a 300 month amortization ending December 2040 are due monthly, with all outstanding principal and interest due December 2024; collateralized by the Organization's real property. | $ | 145,739 |
| Note payable to a local government; interest at 3% annually; principal and interest payments of $476 due monthly with remaining principal and interest due at maturation; matures October 2023; collateralized by the Organization's real property. | | 1,809 |
| | $ | 147,548 |

The future maturities of the notes payable are as follows:

| Year ending June 30, | | |
|---|---|---|
| 2024 | $ | 8,764 |
| 2025 | | 138,784 |
| | $ | 147,548 |

## 7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

| | |
|---|---|
| Use restrictions: | |
| Polk Street | $ 15,708 |
| Youth leadership | 26,217 |
| Endowment | 55,587 |
| San Francisco programs | 6,034 |
| Lutheran Hunger Network | 48,530 |
| Senior services | 153,107 |
| Disaster relief | 16,667 |
| Pilot program | 206,028 |
| Sacramento program | 44,006 |
| Property | 254,820 |
| OES program | 14,310 |
| | 841,014 |
| Subject to be held in perpetuity | 157,396 |
| | $ 998,410 |

Net assets with donor restrictions released from restriction during the year were as follows:

| | |
|---|---|
| Other program purposes | $ 20,360 |
| Project Hope | 11,930 |
| Endowment | 5,431 |
| San Francisco programs | 16,966 |
| Lutheran Hunger Network | 9,846 |
| Senior services | 297,644 |
| Sacramento program | 14,994 |
| Mi Casa | 17,495 |
| Property | 7,495 |
| OES program | 1,865 |
| Cal Aim program | 160,251 |
| FFS program | 25,000 |
| | $ 589,277 |

## 8. ENDOWMENT

The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments to generally support the operational needs of the Organization. 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.

8. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's Board has interpreted the California enacted versions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not to be held-in-perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Organization

(7) The investment policies of the Organization

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023.

8. ENDOWMENT (continued)

Spending policy

The Organization may appropriate endowment earnings for expenditure through the budgeting process.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor restricted endowment funds | $ - | $ 212,983 | $ 212,983 |
| Board designated endowment funds | 250,000 | - | 250,000 |
| | $ 250,000 | $ 212,983 | $ 462,983 |

Changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Balance, June 30, 2022 | $ 250,000 | $ 212,983 | $ 462,983 |
| Investment return | | | |
| Investment income | - | 5,431 | 5,431 |
| Total investment return | - | 5,431 | 5,431 |
| Appropriation of net assets | - | (5,431) | (5,431) |
| Balance, June 30, 2023 | $ 250,000 | $ 212,983 | $ 462,983 |

Strategies employed for achieving objectives

The Organization has adopted an investment policy that attempts to maximize capital appreciation within reasonable levels of risk, and to preserve the long-term inflation adjusted value of the portfolio. Endowment assets are invested in a diversified mix of domestic and international fixed income and equity securities.

9. LEASES

The Organization has entered into operating leases for facilities. The leases have terms expiring through August 2027 and monthly lease payments ranging from approximately $7,600 to $71,400.

9. LEASES (continued)

Right-of-use lease assets and liabilities are as follows:

| | |
|---|---|
| Right-of-use lease assets - operating | $ 3,499,760 |
| Operating lease liabilities | $ 3,166,405 |

Amortization expense was $793,206 for the year ended June 30, 2023.

Future maturities of right-of-use liabilities are as follows:

| Year ending June 30, | |
|---|---|
| 2024 | $ 1,235,644 |
| 2025 | 990,178 |
| 2026 | 962,748 |
| 2027 | 101,148 |
| 2028 | 15,258 |
| | 3,304,976 |
| Less: imputed interest | (138,571) |
| | $ 3,166,405 |

Lease costs for the year consisted of the following:

| | |
|---|---|
| Operating lease costs | |
| Monthly scheduled rent | $ 1,235,528 |
| Month-to-month lease costs | 3,579,313 |
| | $ 4,814,841 |

The weighted-average lease terms and discount rates are the following:

| | |
|---|---|
| Weighted-average remaining lease term - operating lease | 2.86 years |
| Weighted-average discount rate - operating lease | 2.87% |

10. IN-KIND CONTRIBUTIONS

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt. The Organization's in-kind contributions are primarily comprised of donated goods and supplies. The valuation is based on the amounts provided by the donor and analysis of the fair market value of similar goods.

In-kind contributions for the year ended June 30, 2023 amounted to $329,498 and consists of donated goods. The donated goods are used in the programs and are not monetized.

## 11. EMPLOYEE BENEFITS

The Organization participates in a multi-employer 403(b) retirement plan (the "Plan"). The Organization makes required contributions equal to 3% of salaries for eligible employees. The Organization also matches 100% of eligible employee's contributions to the Plan for the first 2% of compensation that eligible employees contribute. Eligibility is based on hours per week and length of employment. Contributions made for the year ended June 30, 2023 were $177,934.

## 12. LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Although not expected to be needed, the perpetual portion of the Organization's endowed net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

The following reflects the Organization's financial assets reported on the accompanying consolidated statement of financial position as of June 30, 2023, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

| | |
|---|---|
| Financial assets | |
| Cash and cash equivalents | $ 201,376 |
| Restricted cash - cash held for agencies in trust | 2,022,159 |
| Investments | 131,010 |
| Grants and contribution and other assets receivables, net | 3,666,574 |
| | 6,021,119 |
| Less: amounts unavailable for general expenditures within one year, due to: | |
| Net assets with donor restrictions | (998,410) |
| Board designated endowment | (250,000) |
| Restricted cash - cash held for agencies in trust | (2,022,159) |
| | (3,270,569) |
| | $ 2,750,550 |

SINGLE AUDIT REPORTS AND SCHEDULES

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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*

To the Board of Directors
Lutheran Social Services of Northern California and Subsidiary
Concord, California

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 Social Services of Northern California (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 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, and have issued our report thereon dated January 3, 2024.

**Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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 Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino LLP
San Francisco, California

January 3, 2024

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

To the Board of Directors
Lutheran Social Services of Northern California and Subsidiary
Concord, California

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

**Opinion on Each Major Federal Program**

We have audited Lutheran Social Services of Northern California (a California nonprofit corporation) and Subsidiary (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization'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 Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

## Auditor's 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 Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Organization'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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

## 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 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.

Armanino LLP

ArmaninoLLP
San Francisco, California

January 3, 2024

# Lutheran Social Services of Northern California and Subsidiary
## Schedule of Expenditures of Federal Awards
### For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---|---|---|
| Expenditures of Federal Awards | | | |
| U.S. Department of Health and Human Services | | | |
| Program Name | | | |
| HIV Emergency Relief Project Grants -Passed through the City and County of San Francisco Department of Public Health | 93.914 | DPHC08000331 | $ 592,248 |
| Foster Care - Title IV-E - Passed through County of Sacramento | 93.658 | Title IV-E Sacramento | 174,629 |
| Foster Care - Title IV-E - Passed through County of Alameda | 93.658 | Title IV-E Alameda | 13,547 |
| Foster Care - Title IV-E - Passed through County of Contra Costa | 93.658 | Title IV-E Contra Costa | 105,653 |
| Foster Care – Title IV-E – Passed through County of San Joaquin | 93.658 | Title IV-E San Joaquin | 117,545 |
| Foster Care - Title IV-E - Passed through County of San Mateo | 93.658 | Title IV-E San Mateo | 21,499 |
| Foster Care - Title IV-E - Passed through County of Sonoma | 93.658 | Title IV-E Sonoma | 4,599 |
| Total U.S. Department of Health and Human Services | | | 1,029,720 |

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Lutheran Social Services of Northern California and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---|---|---|
| U.S. Department of Housing and Urban Development: | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | CA-H2001W058 | 455,786 |
| Covid 19 - Housing Opportunities for Persons with AIDS | 14.241 | CA-H2001W058 | 38,949 |
| Continuum of Care Program - Passed through City and County of San Francisco Department of Social Services | 14.267 | HSH17/18-028 | 189,904 |
| Continuum of Care Program – Passed through Sacramento County Department of Human Assistance | 14.267 | CA0150L9T0321 14 | 367,485 |
| Continuum of Care Program – Passed through Sacramento County Department of Human Assistance | 14.267 | CA0150L9T0322 15 | 163,952 |
| Continuum of Care Program - Passed through San Joaquin County Department of Human Assistance | 14.267 | CA0252L9T1120 12 | 43,938 |
| Continuum of Care Program - Passed through San Joaquin County Department of Human Assistance | 14.267 | CA0252L9T1121 13 | 393,155 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA0132L9T0321 14 | 211,204 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA0132L9T0322 15 | 126,543 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA0135L9T0321 14 | 447,571 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA0135L9T0322 15 | 100,377 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA0828L9T0321 09 | 369,894 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1152L9T0320 09 | 40,082 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1152L9T0321 10 | 415,518 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1829L9T0320 01 | 178,273 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1829L9T0321 02 | 242,131 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1830L9T0320 01 | 230,953 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1830L9T0321 02 | 307,396 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA2009L9T1821 00 | 54,132 |
| Continuum of Care Program - Passed through Sacramento Steps Forward | 14.267 | CA1978L9T0321 00 | 110,252 |
| Continuum of Care Program - Passed through Next move | 14.267 | CA1303L9T0321 07 | 84,246 |
| Continuum of Care Program - Passed through Next move | 14.267 | CA1303L9T0322 08 | 966,615 |
| Continuum of Care Program | 14.267 | CA0301L9T1821 14 | 166,928 |
| Continuum of Care Program | 14.267 | CA0301L9T1822 15 | 116,946 |
| Total U.S. Department of Housing and Urban Development: | | | 5,822,230 |

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Lutheran Social Services of Northern California and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|---|---|---|
| U.S. Program Department of Justice: | | | |
| Crime Victim Assistance - Passed through the California Governors Office of Emergency Assistance | 16.575 | 013-90014-00 | 316,129 |
| Total U.S. Program Department of Justice: | | | 316,129 |
| Total Expenditures of Federal Awards | | | $ 7,168,079 |

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

## 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lutheran Social Services of Northern California (a California nonprofit corporation) and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

## 3. INDIRECT COST RATE

The Organization has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization applies indirect costs in accordance with the specific terms of its federal award agreements.

Lutheran Social Services of Northern California and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 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 that are 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 that are 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 200.516(a)? | No |

Identification of major programs:

| Name of Federal Program or Cluster | Assistance Listing Number |
|---|---|
| Continuum of Care Program | 14.267 |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs | $750,000 |
| Auditee qualified as low-risk auditee? | Yes |

## SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

## SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Lutheran Social Services of Northern California and Subsidiary
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.