

**Lutheran Social Services of Northern California
and Subsidiary**

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2025
(With Comparative Totals for 2024)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7 - 8
Notes to Consolidated Financial Statements	9 - 21
Single Audit Reports and Schedules	
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 <i>Government Auditing Standards</i>	23 - 24
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	25 - 27
Schedule of Expenditures of Federal Awards	28 - 29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31 - 33
Summary Schedule of Prior Audit Findings	34



INDEPENDENT AUDITOR'S REPORT

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

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, 2025, 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, 2025, 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.

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 March 31, 2026, 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 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 19, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Austin, Texas

March 31, 2026

Lutheran Social Services of Northern California and Subsidiary
Consolidated Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 674,480	\$ 117,177
Restricted cash - cash held for agencies in trust	2,222,461	1,913,317
Investments	152,885	141,042
Grants and accounts receivable, net	4,483,386	4,470,241
Prepaid expenses and other assets	138,673	211,219
Operating lease right-of-use assets, net	1,416,153	3,583,491
Property and equipment, net	12,080,163	7,132,030
Total assets	\$ 21,168,201	\$ 17,568,517
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 600,910	\$ 873,570
Accrued expenses	792,976	694,417
Amounts payable to agencies in trust	2,222,461	1,913,317
Refundable advances	1,175,188	788,758
Revolving line of credit	845,374	1,223,643
Note payable	8,750,223	4,092,957
Operating lease liabilities	1,438,164	3,128,320
Total liabilities	15,825,296	12,714,982
Net assets		
Without donor restrictions		
Undesignated	3,802,110	3,408,522
Board designated	250,000	250,000
Total without donor restrictions	4,052,110	3,658,522
With donor restrictions	1,290,795	1,195,013
Total net assets	5,342,905	4,853,535
Total liabilities and net assets	\$ 21,168,201	\$ 17,568,517

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, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenues, gains (losses), and other support				
Contract revenue	\$ 20,633,667	\$ -	\$ 20,633,667	\$ 16,530,394
Grants and contributions	828,837	526,025	1,354,862	1,820,389
In-kind contributions	706,217	-	706,217	587,243
Investment income, net	16,960	-	16,960	21,548
Other revenue	340,669	-	340,669	192,771
Rental income	304,655	-	304,655	72,945
Net assets released from restrictions	<u>430,243</u>	<u>(430,243)</u>	-	-
Total revenues, gains, and other support	<u>23,261,248</u>	<u>95,782</u>	<u>23,357,030</u>	<u>19,225,290</u>
Functional expenses				
Program services	21,003,177	-	21,003,177	17,223,539
Management and general	1,524,852	-	1,524,852	1,248,708
Fundraising	<u>339,631</u>	<u>-</u>	<u>339,631</u>	<u>343,365</u>
Total functional expenses	<u>22,867,660</u>	<u>-</u>	<u>22,867,660</u>	<u>18,815,612</u>
Change in net assets	393,588	95,782	489,370	409,678
Net assets, beginning of year	<u>3,658,522</u>	<u>1,195,013</u>	<u>4,853,535</u>	<u>4,443,857</u>
Net assets, end of year	<u>\$ 4,052,110</u>	<u>\$ 1,290,795</u>	<u>\$ 5,342,905</u>	<u>\$ 4,853,535</u>

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, 2025
(With Comparative Totals for 2024)

	Money Management Services	Housing for Youth	Housing for Families and Adults	Other Program	Total Program Services	Management and General	Fundraising	2025 Total	2024 Total
Salaries and benefits	\$ 1,469,464	\$ 1,603,766	\$ 5,355,674	\$ -	\$ 8,428,904	\$ 566,596	\$ 151,883	\$ 9,147,383	\$ 7,901,032
Client assistance	-	1,681,917	5,776,733	-	7,458,650	16,105	-	7,474,755	6,507,578
Professional fees	60,198	214,756	1,029,966	-	1,304,920	79,873	106,158	1,490,951	1,028,508
Occupancy	262,849	108,358	957,407	-	1,328,614	223,099	25,288	1,577,001	788,887
Supplies	64,388	14,962	319,667	-	399,017	14,494	510	414,021	393,252
Equipment and building repairs	39,513	92,288	44,446	2,325	178,572	19,828	10,570	208,970	312,636
Depreciation	78,412	36,484	90,740	13,823	219,459	346,321	16,230	582,010	394,969
Telephone	29,774	25,657	145,870	-	201,301	84,235	2,099	287,635	239,780
Other	52,718	111,347	680,663	33,631	878,359	58,226	380	936,965	765,462
Insurance	20,894	14,194	115,411	-	150,499	-	3,456	153,955	112,719
Travel	8,589	23,791	82,038	-	114,418	9,901	917	125,236	110,758
Printing and duplicating	10,089	4,320	37,190	-	51,599	14,545	841	66,985	63,734
Outreach and education	-	916	7,697	-	8,613	1,476	16,422	26,511	25,499
Postage	9,875	459	2,338	-	12,672	7,988	3,119	23,779	25,562
Staff and Board	14,282	4,638	29,714	-	48,634	3,196	854	52,684	41,012
Dues and subscriptions	-	1,740	173	-	1,913	7,340	904	10,157	10,436
Interest	53,507	11,002	709	151,815	217,033	71,629	-	288,662	93,788
	<u>\$ 2,174,552</u>	<u>\$ 3,950,595</u>	<u>\$ 14,676,436</u>	<u>\$ 201,594</u>	<u>\$ 21,003,177</u>	<u>\$ 1,524,852</u>	<u>\$ 339,631</u>	<u>\$ 22,867,660</u>	<u>\$ 18,815,612</u>

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, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 489,370	\$ 409,678
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	582,010	394,969
Net realized and unrealized gain on investments	(11,843)	(10,032)
Amortization of operating lease right-of-use assets	2,167,338	1,050,608
Changes in operating assets and liabilities		
Grants and accounts receivable, net	(13,145)	(803,667)
Prepaid expenses and other assets	72,546	(17,189)
Accounts payable and accrued expenses	(572,070)	327,632
Amounts payable to agencies in trust	309,144	(108,842)
Refundable advances	386,430	96,988
Operating lease liabilities	<u>(1,690,156)</u>	<u>(1,172,424)</u>
Net cash provided by operating activities	<u>1,719,624</u>	<u>167,721</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(1,632,174)</u>	<u>(564,178)</u>
Net cash used in investing activities	<u>(1,632,174)</u>	<u>(564,178)</u>
Cash flows from financing activities		
Principal payments on note payable	(198,901)	(7,384)
Proceeds from notes payable	1,356,167	-
Borrowings on revolving line of credit	1,336,731	1,050,000
Repayments on revolving line of credit	<u>(1,715,000)</u>	<u>(839,200)</u>
Net cash provided by financing activities	<u>778,997</u>	<u>203,416</u>
Net increase (decrease) in cash and restricted cash	866,447	(193,041)
Cash and restricted cash, beginning of year	<u>2,030,494</u>	<u>2,223,535</u>
Cash and restricted cash, end of year	<u>\$ 2,896,941</u>	<u>\$ 2,030,494</u>
Cash and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 674,480	\$ 117,177
Restricted cash - cash held for agencies in trust	<u>2,222,461</u>	<u>1,913,317</u>
	<u>\$ 2,896,941</u>	<u>\$ 2,030,494</u>

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, 2025
(With Comparative Totals for 2024)

	2025	2024
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	\$ 288,662	\$ 93,788
Supplemental schedule of noncash investing and financing activities		
Right-of-use lease assets obtained in exchange of lease obligations	\$ -	\$ 1,134,339
Acquisition of property through assumption of notes payable	\$ 3,500,000	\$ 3,952,793
Acquisition of property included in accounts payable	\$ 397,969	\$ -

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

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

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 designate 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 consist of all highly liquid instruments with an original maturity of three months or less.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

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.

Grants and accounts receivable

Grants and accounts receivable consists primarily of amounts due from government funding agencies. Based on historical write-offs, overall economic conditions, the current aging status of its receivables, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, the Organization establishes an allowance for doubtful receivables at a level considered adequate to cover anticipated credit losses on outstanding receivables. There was no allowance as of June 30, 2025 as the Organization considers all amounts to be fully collectible.

Property and equipment

The Organization capitalizes property and equipment acquisitions with a cost greater than \$1,000 and an estimated useful life in excess of one year. Property and equipment are reported at cost. Donated items are carried at estimated fair value when received.

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

Buildings and improvements	5 - 30 years
Furniture and equipment	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.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

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 refundable advances of \$1,175,188 that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions

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. For the year ended June 30, 2025, \$706,717 in donated services was recognized on the statement of activities. Donated property is recognized as a contribution based on the estimated fair value at the date the contribution is made. There was no donated property for the year ended June 30, 2025. Donated goods are utilized directly in the Organization's programs. For the year ended June 30, 2025, 521 hours of volunteer time of non-specialized labor was donated and not recognized for financial statement purposes. Volunteer time is quantified based on prevailing wage rates and utilized as matching for federal grants.

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, 2025.

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, 2025.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of year end. Accrued vacation at June 30, 2025 amounted to \$335,593.

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.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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 grants and accounts receivable are unsecured and the Organization is at-risk to the extent that such amounts become uncollectible. As of June 30, 2025, the Organization has one customer with a 13.2% concentration of the overall accounts receivable balance.

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.

Subsequent events

The Organization has evaluated subsequent events through March 31, 2026, 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.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

3. INVESTMENTS AND FAIR VALUE

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, 2025 is as follows:

Domestic equities	\$	51,981
International equities		33,635
Bond funds		19,875
Alternative investments		30,577
Real estate securities		10,702
Money market		<u>6,115</u>
	<u>\$</u>	<u>152,885</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments in pooled trust account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ -
Investments in pooled trust account measured at net asset value				<u>152,885</u>
				<u>\$ 152,885</u>

The fair value of investments held in a pooled trust account is based on the Organization's proportionate share of funds held by a third party. The funds are fully redeemable and there are no unfunded commitments as of June 30, 2025.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Buildings and improvements	\$	10,832,017
Leasehold improvements		1,712,355
Construction in progress		1,089,494
Land		753,070
Computer equipment		543,254
Furniture and equipment		338,533
Vehicles		<u>78,887</u>
		15,347,610
Accumulated depreciation		<u>(3,267,447)</u>
	<u>\$</u>	<u>12,080,163</u>

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

4. PROPERTY AND EQUIPMENT, NET (continued)

Depreciation expense for the year ended June 30, 2025 was \$582,010.

5. NOTE PAYABLE

The Organization's debt obligations as of June 30, 2025 are as follows:

Note payable to a bank; interest rate at the U.S. five-year treasury constant maturity plus 3.25% adjusted weekly, (7.05% at June 30, 2025); principal and interest payments based on a 300 month amortization ending April 2035 are due monthly, with all outstanding principal and interest due April 2035; collateralized by the Organization's real property.	\$ 142,016
Note payable to Department of Housing and Community Development; initial maturity date is 2032, at which point the note payable will be restructured in accordance with the Portfolio Reinvestment Program ("PRP"); in accordance with the PRP the property located at 7733 Coral Lane in Stockton, California is to be operated as an emergency shelter or transitional housing for a period of 55 years; no payment of principal or interest at 3% is required on the loan and all outstanding principal and interest subject to forgiveness if the property is operated in compliance with the PRP requirements.	1,480,425
Note payable to Department of Housing and Community Development; initial maturity date is 2032, at which point the note payable will be restructured in accordance with the PRP; in accordance with the PRP the property located at 940 Edan Avenue in Stockton, California is to be operated as an emergency shelter or transitional housing for a period of 55 years; no payment of principal or interest at 3% is required on the loan and all outstanding principal and interest subject to forgiveness if the property is operated in compliance with the PRP requirements.	1,735,351
Note payable to Department of Housing and Community Development; initial maturity date is 2032, at which point the note payable will be restructured in accordance with the PRP; in accordance with the PRP the property located at 1320 North Hunter Street in Stockton, California is to be operated as an emergency shelter or transitional housing for a period of 55 years; no payment of principal or interest at 3% is required on the loan and all outstanding principal and interest subject to forgiveness if the property is operated in compliance with the PRP requirements.	1,442,633
Note payable to an unrelated non-profit; initial rate is 6.125% adjustable August 6th per annum based on weighted average annual interest rate plus up to 3.0%; principal and interest payments are based on a 120 month amortization schedule ending August 6, 2034; collateralized by Organization's real property	3,441,798
Note payable to an unrelated non-profit; initial rate is 7.5%; entire principal and accrued interest is due December 31, 2026; collateralized by Organization's real property	<u>508,000</u>
	<u>\$ 8,750,223</u>

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

5. NOTE PAYABLE (continued)

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2026	\$ 584,085
2027	80,900
2028	86,020
2029	91,465
2030	97,281
Thereafter	<u>7,795,969</u>
	<u><u>\$ 8,735,720</u></u>

6. REVOLVING LINE OF CREDIT

The Organization has a revolving line of credit ("line of credit") with a maximum borrowing amount of \$1,650,000, maturing June 2026. 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, 2025). The rate will update monthly through maturity. Interest payments on outstanding principal are due monthly. The Organization had an outstanding balance of \$845,374 on the line of credit as of June 30, 2025.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Polk Street	\$ 15,708
Volunteer Program	26,216
Lutheran Hunger Network	50,065
Disaster relief	14,920
Dignity Health	222,762
Sacramento program	62,065
Mi Casa	251,085
OES program	8,991
Holy Redeemer Lutheran Church	<u>426,000</u>
	<u>1,077,812</u>
 Endowment	
Unappropriated earnings on endowment	55,587
Endowment subject to be held in perpetuity	<u>157,396</u>
	<u>212,983</u>
	<u><u>\$ 1,290,795</u></u>

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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

Endowment	\$ 5,448
Disaster relief	15,339
Dignity Health	333,266
Sacramento program	43,516
Mi Casa	13,518
Other program purposes	19,156
	\$ 430,243

8. ENDOWMENT

The Organization's endowment includes both donor-imposed restricted endowment funds and funds designated by the Board of Directors 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 to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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-imposed 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-imposed 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-imposed restricted endowment funds:

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

8. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (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-imposed 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 Directors, 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-imposed 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, 2025.

Spending policy

Income from the endowment is available to subsidize operating or other costs at the discretion of the board of directors. The goal of the Organization's spending policy is to maintain the endowment's purchasing power while also supporting the Organization's mission.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

8. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-imposed restricted endowment fund corpus	\$ -	\$ 157,396	\$ 157,396
Unexpended endowment earnings	-	55,587	55,587
Board designated endowment funds	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 212,983</u>	<u>\$ 462,983</u>

Changes in endowment net assets for the fiscal year ended June 30, 2025 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2024	<u>\$ 250,000</u>	<u>\$ 212,983</u>	<u>\$ 462,983</u>
Investment return			
Investment income	<u>-</u>	<u>5,448</u>	<u>5,448</u>
Total investment return	<u>-</u>	<u>5,448</u>	<u>5,448</u>
Appropriation of net assets	<u>-</u>	<u>(5,448)</u>	<u>(5,448)</u>
Balance, June 30, 2025	<u>\$ 250,000</u>	<u>\$ 212,983</u>	<u>\$ 462,983</u>

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 October 2029 and monthly lease payments ranging from approximately \$7,600 to \$71,400.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

9. LEASES (continued)

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

Right-of-use lease assets - operating	\$ 1,416,153
Operating lease liabilities	\$ 1,438,164

Amortization of right-of-use assets amounted to \$2,167,338 for the year ended June 30, 2025.

Future maturities of lease liabilities are as follows:

<u>Year ending June 30,</u>	
2026	\$ 1,060,269
2027	194,816
2028	104,931
2029	94,577
2030	<u>31,761</u>
	1,486,354
Less: imputed interest	<u>(48,190)</u>
	<u><u>\$ 1,438,164</u></u>

Lease costs for the year consisted of the following:

Operating lease costs	
Right-of-use costs	\$ 1,064,083
Short term lease costs	<u>4,518,060</u>
	<u><u>\$ 5,582,143</u></u>

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

Weighted-average remaining lease term - operating lease	2.03 years
Weighted-average discount rate - operating lease	3.22%

10. IN-KIND CONTRIBUTIONS

The Organization's in-kind contributions are primarily comprised of donated services by property owners. The Organization's in-kind contributions consist of donated goods and services. In-kind contributions are reported as contributions at their estimated fair value on the date of service. The valuation is based on the amounts provided by the donor and analysis of the fair market value of similar goods or services. In-kind contributions for the year ended June 30, 2025 amounted to \$706,217. The donated goods are used in programs and are not monetized.

Lutheran Social Services of Northern California and Subsidiary
Notes to Consolidated Financial Statements
June 30, 2025

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, 2025 were \$191,580.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

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.

The Organization also has access to a line of credit, expiring in June 2026, for additional liquidity needs.

The following reflects the Organization's financial assets reported on the accompanying consolidated statement of financial position as of June 30, 2025, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Financial assets	
Cash and cash equivalents	\$ 674,480
Restricted cash - cash held for agencies in trust	2,222,461
Investments	152,885
Grants and contributions receivables, net	<u>4,483,386</u>
	<u>7,533,212</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions	(1,624,060)
Board designated endowment	(250,000)
Restricted cash - cash held for agencies in trust	<u>(2,222,461)</u>
	<u>(4,096,521)</u>
	<u>\$ 3,436,691</u>

SINGLE AUDIT REPORTS AND SCHEDULES



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

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, 2025, 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 March 31, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-004 to be a material weakness.

We also consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003 to be significant deficiencies.

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.

A handwritten signature in cursive script that reads "Armanino LLP".

Austin, Texas

March 31, 2026



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

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, 2025. 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, 2025.

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

Austin, Texas

March 31, 2026

Lutheran Social Services of Northern California and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services HIV Emergency Relief Project Grants -Passed through the City and County of San Francisco Department of Public Health	93.914	DPHC0800331	\$ 563,421 <u>563,421</u>
Foster Care - Title IV-E - Passed through County of Sacramento	93.658	Title IV-E Sacramento	253,097
Foster Care - Title IV-E - Passed through County of Contra Costa	93.658	Title IV-E Contra Costa	63,846
Foster Care - Title IV-E - Passed through County of San Mateo	93.658	Title IV-E San Mateo	7,476
Foster Care - Title IV-E - Passed through County of Lake	93.658	Title IV-E Lake	2,381 <u>326,800</u>
 Total U.S. Department of Health and Human Services			 <u>890,221</u>

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, 2025

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-H210015	226,336
Housing Opportunities for Persons with AIDS	14.241	CA-H240010	<u>137,393</u>
			<u>363,729</u>
Continuum of Care Program - Passed through City and County of San Francisco Department of Social Services	14.267	HSH17/18-028	153,798
Continuum of Care Program – Passed through Sacramento County Department of Human Assistance	14.267	CAO150L9T032417	157,399
Continuum of Care Program – Passed through Sacramento County Department of Human Assistance	14.267	CAO150L9T032316	363,948
Continuum of Care Program - Passed through San Joaquin County Department of Human Assistance	14.267	CAO252L9T112315	376,147
Continuum of Care Program - Passed through San Joaquin County Department of Human Assistance	14.267	CAO252L9T112214	34,001
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO132L9T032417	119,806
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO132L9T032316	229,705
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO135L9T03417	89,624
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO135L9T032316	460,286
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO828L9T032311	889,664
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CAO828L9T032210	148,573
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1152L9T032312	397,580
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1152L9T032211	22,244
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1829L9T032304	198,870
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1829L9T032203	186,938
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1830L9T032304	282,680
Continuum of Care Program - Passed through Sacramento Steps Forward	14.267	CA1830L9T032203	207,978
Continuum of Care Program - Crossroads	14.267	CA1829L9T182302	62,367
Continuum of Care Program - Crossroads	14.267	CA1829L9T182201	46,167
Continuum of Care Program - Passed through Next move	14.267	CA1303L9T032309	1,046,306
Continuum of Care Program - Passed through Next move	14.267	CA1303L9T032208	115,013
Continuum of Care Program - Stop Plus	14.267	CA0301L9T182417	177,479
Continuum of Care Program - Stop Plus	14.267	CA0301L9T182316	330,247
Continuum of Care Program - Lavender Court	14.267	CA1978L9T032403	22,269
Continuum of Care Program - Lavender Court	14.267	CA1978L9T032302	199,592
Continuum of Care Program - College Initiative	14.267	CA2215Y9T032100	366,484
Continuum of Care Program - Inspiring Youth Voice	14.267	CA2216Y9T032100	618,474
Continuum of Care Program - Cornerstone Blvd.	14.267	CA2120L9T032200	<u>209,214</u>
			<u>7,512,853</u>
Total U.S. Department of Housing and Urban Development:			<u>7,876,582</u>
U.S. Department of Justice:			
Crime Victim Assistance - Passed through the California Governors Office of Emergency Assistance	16.575	013-90014-00	<u>292,509</u>
Total U.S. Department of Justice			<u>292,509</u>
Total Expenditures of Federal Awards			<u>\$ 9,059,312</u>

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
Notes to Schedule of Expenditures of Federal Awards
June 30, 2025

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, 2025. 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

For awards granted before October 1, 2024, the Organization has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. For awards granted after October 1, 2024, the Organization has elected to not use the 15 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, 2025

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?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
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:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
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

Lutheran Social Services of Northern California and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number: 2025-001

Criteria: Segregation of duties are necessary for proper controls.

Condition: The Organization's internal control policies require that revenue transactions be reviewed and approved. However, during our walkthrough of the design and implementation of activity level controls over revenue, we noted that an accounting staff member both prepared and authorized the recording of a revenue transaction.

Cause: A member of the accounting department was out of the office, resulting in fewer staff members available to perform the review of the accounting transaction. The Organization has not implemented an activity level control to compensate for such instances.

Effect or potential effect: Absent the regular occurrence of transaction level review controls, revenue could be under or overstated due to fraud or error.

Recommendation: Armanino recommends the recording of all revenue related transactions be reviewed and approved by different individuals.

View of responsible officials: Management agrees with this finding and will be coordinating with their software provider to update user access while meanwhile maintaining a sign off log for all manual journal entries.

Finding number: 2025-002

Criteria: Segregation of duties are necessary for proper controls.

Condition: The user access rights within the accounting system do not require segregation of duties to record journal entries. Journal entries are posted immediately without requiring another user's review and approval.

Cause: During our walkthrough of the design and implementation of activity level controls over journal entries, we noted that the accounting system is not configured to require segregation of duties over the posting of journal entries. Additionally, the CFO, Accounting Manager, and Accounting Clerk all have full admin privileges.

Effect or potential effect: A lack of segregation of duties and IT user access limitations has the potential for entries to be recorded or deleted without proper approval.

Recommendation: Armanino recommends that Intacct user rights be implemented such that users cannot post and approve their own journal entries.

View of responsible officials: Management agrees with this finding and will be coordinating with their software provider to update user access while meanwhile maintaining a sign off log for all manual journal entries.

Lutheran Social Services of Northern California and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS (continued)

Finding number:	2025-003
Criteria:	U.S. GAAP requires that contributed services be recorded at fair value.
Condition:	The Organization has a policy to evaluate the fair value of contributed service by comparing the fair value provided by the donor to market rates. The Organization did not comply with this policy.
Cause:	The Organization relied on the fair value provided by the donor.
Effect or potential effect:	Contributed services and related expense could be misstated.
Recommendation:	Armanino recommends that the Organization follow its internal policy.
View of responsible officials:	Management agrees with this finding and will ensure that all contributed services are recorded at fair value.
Finding number:	2025-004
Criteria:	A strong system of internal control validates that the accounting records agree to the audited financial statements.
Condition:	The Organization edited an existing journal entry incorrectly, resulting in a variance from the accounting records to the prior year audited financial statements. The variance was isolated to accounts related to leases.
Cause:	The Organization's accounting system is not configured to prevent revisions to previously recorded journal entries. Additionally, the Organization's reconciliation of the accounting records to the audited financial statements did not identify the variance.
Effect or potential effect:	Accounting records could be materially misstated.
Recommendation:	Armanino recommends that the Organization configure its accounting system to prevent revisions to existing journal entries. Additionally, Armanino recommends that the Organization perform a detailed reconciliation of its accounting records to the audited financial statements and resolve any variances timely.
View of responsible officials:	Management agrees with this finding and will implement, document, and retain the reconciliation of audited financial statements. The Organization will also implement a lock down of the period post issuance of the audit.

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, 2025

There were no prior year findings.