



PragerMetis

**Lutheran Social Services  
National Capital Area  
Financial Statements and  
Reporting Required under  
*Government Auditing Standards* and  
Uniform Guidance  
September 30, 2022 and  
September 30, 2021**

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## Independent Auditor's Report

To the Board of Directors of  
Lutheran Social Services – National Capital Area

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### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Lutheran Social Services – National Capital Area (LSSNCA) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of LSSNCA as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits 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 LSSNCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

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





### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LSSNCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LSSNCA's ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023 on our consideration of LSSNCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LSSNCA'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 LSSNCA's internal control over financial reporting and compliance.

*Prager Metis CPAs, LLC*

Prager Metis CPAs, LLC  
McLean, Virginia  
June 9, 2023

Lutheran Social Services – National Capital Area  
 Statements of Financial Position  
 September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 435,040	\$ 2,336,910
Investments	418,028	839,703
Contract and grant receivables, net of allowance for doubtful accounts of \$300,000 for 2022 and \$100,000 for 2021.	6,265,895	2,059,663
Prepaid expenses	139,106	59,910
Deposits	83,223	26,669
Cash and cash equivalents restricted for board designated endowment	-	1,007,000
Property and equipment, net	<u>808</u>	<u>29,071</u>
<b>Total assets</b>	<u><u>\$ 7,342,100</u></u>	<u><u>\$ 6,358,926</u></u>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Bank overdraft	\$ 663,724	\$ -
Accounts payable	1,227,880	253,726
Accrued expenses	195,285	216,160
Deferred rent	167,388	-
Deferred revenue	724	700
Paycheck Protection Program loan	-	560,295
Line of credit	<u>300,000</u>	<u>-</u>
<b>Total liabilities</b>	<u>2,555,001</u>	<u>1,030,881</u>
<b>Net assets</b>		
Without donor restrictions	3,491,856	2,199,927
Without donor restrictions – board designated	<u>1,295,243</u>	<u>1,376,197</u>
<b>Total net assets without donor restrictions</b>	<u>4,787,099</u>	<u>3,576,124</u>
<b>With donor restrictions</b>	<u>-</u>	<u>1,751,921</u>
<b>Total net assets</b>	<u>4,787,099</u>	<u>5,328,045</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 7,342,100</u></u>	<u><u>\$ 6,358,926</u></u>

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

Lutheran Social Services – National Capital Area  
 Statements of Activities  
 Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Changes in net assets without donor restrictions</b>		
<b>Support, revenue, and gains</b>		
Government contracts and grants	\$ 28,061,282	\$ 6,786,685
Contributions	1,471,710	738,705
Donated goods	334,630	157,408
Paycheck Protection Program loan forgiveness	560,295	550,595
Adoption fees	22,380	23,278
Investment income (loss), net	(88,332)	111,954
(Loss) gain on sale of property	(25,177)	3,128,570
Other	7,870	101,475
Net assets released from restriction	<u>2,714,079</u>	<u>-</u>
<b>Total support, revenue and gains</b>	<u>33,058,737</u>	<u>11,598,670</u>
<b>Expenses</b>		
Program expenses		
Foster care services	2,374,359	2,055,014
Refugee and immigration	26,347,903	4,512,630
Community services	<u>50,001</u>	<u>61,315</u>
Total program expenses	<u>28,772,263</u>	<u>6,628,959</u>
Supporting services		
Management and general	2,546,506	1,463,602
Fundraising	<u>528,993</u>	<u>304,626</u>
Total supporting services	<u>3,075,499</u>	<u>1,768,228</u>
<b>Total expenses</b>	<u>31,847,762</u>	<u>8,397,187</u>
<b>Increase in net assets without donor restrictions</b>	<u>1,210,975</u>	<u>3,201,483</u>
<b>Changes in net assets with donor restrictions</b>		
Contributions	962,158	1,751,921
Net assets released from restriction	<u>(2,714,079)</u>	<u>-</u>
<b>Increase (decrease) in net assets with donor restrictions</b>	<u>(1,751,921)</u>	<u>1,751,921</u>
<b>Change in net assets</b>	<u>(540,946)</u>	<u>4,953,404</u>
Net assets, beginning of year	<u>5,328,045</u>	<u>374,641</u>
<b>Net assets, end of year</b>	<u>\$ 4,787,099</u>	<u>\$ 5,328,045</u>

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

Lutheran Social Services – National Capital Area  
Statement of Functional Expenses  
Year Ended September 30, 2022

	Program Services				Supporting Services				Total	
	Foster Care Services	Refugee and Immigration	Community Services	Total Program Services	Management and General	Facilities	Management and General	Fundraising		Total Supporting Services
<b>Salaries and related expenses</b>										
Salaries	\$ 1,283,788	\$ 5,810,484	\$ 45,683	\$ 7,139,955	\$ 799,828	\$ 113,093	\$ 912,921	\$ 195,408	\$ 1,108,329	\$ 8,248,284
Payroll taxes and benefits	202,757	701,514	3,879	908,150	144,184	11,423	155,607	5,429	161,036	1,069,186
<b>Total salaries and related expenses</b>	<b>1,486,545</b>	<b>6,511,998</b>	<b>49,562</b>	<b>8,048,105</b>	<b>944,012</b>	<b>124,516</b>	<b>1,068,528</b>	<b>200,837</b>	<b>1,269,365</b>	<b>9,317,470</b>
<b>Other expenses</b>										
Stipends	260,006	-	-	260,006	-	-	-	-	-	260,006
Assistance to individuals	30,851	16,410,600	-	16,441,451	-	-	-	-	-	16,441,451
Professional services	201,927	1,334,387	-	1,536,314	430,308	50,684	480,992	177,734	658,726	2,195,040
Donated goods and services	-	140,904	-	140,904	193,726	-	193,726	-	193,726	334,630
Depreciation and amortization	-	202	-	202	1,684	1,200	2,884	-	2,884	3,086
Telephone and communication	31,883	110,063	-	141,946	17,699	2,714	20,413	2,973	23,386	165,332
Interest expense	-	-	-	-	1,288	(901)	387	-	387	387
Insurance	19,614	37,517	-	57,131	18,264	9,373	27,637	576	28,213	85,344
Utilities and other occupancy	22,248	67,266	-	89,514	3,048	1,653	4,701	-	4,701	94,215
Rent	186,763	241,841	-	428,604	218,409	10,498	228,907	11,774	240,681	669,285
Supplies	20,275	133,866	200	154,341	13,872	646	14,518	3,925	18,443	172,784
Summer camp	16,909	-	-	16,909	-	-	-	17,891	17,891	34,800
Pre-employment expense	9,126	27,249	-	36,375	97,103	6	97,109	635	97,744	134,119
Vehicle expense	5,827	16,777	7	22,611	4,012	-	4,012	88	4,100	26,711
Travel	13,088	715,375	232	728,695	1,814	427	2,241	465	2,706	731,401
Bank service charges/other fees	7,030	44,987	-	52,017	31,113	-	31,113	8,343	39,456	91,473
Printing and copying	4,516	20,645	-	25,161	8,215	482	8,697	28,415	37,112	62,273
Postage	224	50,253	-	50,477	2,704	-	2,704	2,409	5,113	55,590
Equipment leases	-	2,729	-	2,729	955	174	1,129	-	1,129	3,858
Equipment	34,182	357,891	-	392,073	66,690	48,803	115,493	28,419	143,912	535,985
Special events	-	-	-	-	-	-	-	732	732	732
Staff development	14,881	2,102	-	16,983	255	26,084	26,339	35	26,374	43,357
Advertising	3,757	13,460	-	17,217	-	-	-	4,000	4,000	21,217
Dues and subscriptions	1,250	71	-	1,321	3,291	-	3,291	531	3,822	5,143
Meetings	481	73,510	-	73,991	6,218	-	6,218	719	6,937	80,928
Other	2,976	34,210	-	37,186	5,467	-	5,467	38,492	43,959	81,145
Bad debt	-	-	-	-	200,000	-	200,000	-	200,000	200,000
<b>Total expenses</b>	<b>\$ 2,374,359</b>	<b>\$ 26,347,903</b>	<b>\$ 50,001</b>	<b>\$ 28,772,263</b>	<b>\$ 2,270,147</b>	<b>\$ 276,359</b>	<b>\$ 2,546,506</b>	<b>\$ 528,993</b>	<b>\$ 3,075,499</b>	<b>\$ 31,847,762</b>

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



Lutheran Social Services – National Capital Area  
Statement of Functional Expenses  
Year Ended September 30, 2021

	Program Services				Supporting Services					Total
	Foster Care Services	Refugee and Immigration	Community Services	Total Program Services	Management and General	Facilities	Management and General	Fundraising	Total Supporting Services	
<b>Salaries and related expenses</b>										
Salaries	\$ 1,116,573	\$ 1,855,072	\$ 53,103	\$ 3,024,748	\$ 438,101	\$ 104,235	\$ 542,336	\$ 154,505	\$ 696,841	\$ 3,721,589
Payroll taxes and benefits	169,370	268,122	4,672	442,164	117,534	18,479	136,013	22,741	158,754	600,918
<b>Total salaries and related expenses</b>	<b>1,285,943</b>	<b>2,123,194</b>	<b>57,775</b>	<b>3,466,912</b>	<b>555,635</b>	<b>122,714</b>	<b>678,349</b>	<b>177,246</b>	<b>855,595</b>	<b>4,322,507</b>
<b>Other expenses</b>										
Stipends	306,051	-	-	306,051	-	-	-	-	-	306,051
Assistance to individuals	40,538	1,687,521	2,283	1,730,342	-	-	-	-	-	1,730,342
Professional services	163,344	130,040	-	293,384	189,112	63,615	252,727	37,625	290,352	583,736
Donated goods	223	157,186	-	157,409	-	-	-	-	-	157,409
Depreciation and amortization	-	3,183	-	3,183	9,636	26,056	35,692	-	35,692	38,875
Telephone and communication	27,148	57,908	-	85,056	8,932	2,667	11,599	2,978	14,577	99,633
Interest expense	6,838	-	-	6,838	24,481	28,194	52,675	1,337	54,012	60,850
Insurance	17,802	35,960	-	53,762	27,546	9,229	36,775	569	37,344	91,106
Utilities and other occupancy	27,452	36,410	506	64,368	20,591	29,510	50,101	1,617	51,718	116,086
Rent	76,694	70,395	-	147,089	12,395	2,622	15,017	2,860	17,877	164,966
Supplies	12,507	15,768	747	29,022	5,587	4,334	9,921	487	10,408	39,430
Summer camp	15,346	-	-	15,346	-	-	-	16,309	16,309	31,655
Pre-employment expense	5,184	7,301	-	12,485	20,839	184	21,023	285	21,308	33,793
Vehicle expense	3,072	11,406	-	14,478	1,076	4,010	5,086	-	5,086	19,564
Travel	6,156	43,394	4	49,554	1,432	-	1,432	-	1,432	50,986
Bank service charges/other fees	4,923	17,469	-	22,392	154,294	6,714	161,008	2,854	163,862	186,254
Printing and copying	3,334	8,430	-	11,764	5,005	364	5,369	11,383	16,752	28,516
Postage	161	2,994	-	3,155	3,374	8	3,382	1,277	4,659	7,814
Equipment leases	-	369	-	369	870	548	1,418	-	1,418	1,787
Equipment	28,529	83,909	-	112,438	37,394	13,939	51,333	13,600	64,933	177,371
Special events	-	-	-	-	-	-	-	-	-	-
Staff development	12,395	3,288	-	15,683	255	-	255	1,595	1,850	17,533
Advertising	5,516	-	-	5,516	-	-	-	-	-	5,516
Dues and subscriptions	1,250	3,270	-	4,520	2,446	-	2,446	-	2,446	6,966
Meetings	114	6,899	-	7,013	3,415	-	3,415	16	3,431	10,444
Other	4,494	6,336	-	10,830	1,901	-	1,901	3,292	5,193	16,023
Bad debt	-	-	-	-	62,678	-	62,678	29,296	91,974	91,974
<b>Total expenses</b>	<b>\$ 2,055,014</b>	<b>\$ 4,512,630</b>	<b>\$ 61,315</b>	<b>\$ 6,628,959</b>	<b>\$ 1,086,216</b>	<b>\$ 314,708</b>	<b>\$ 1,463,602</b>	<b>\$ 304,626</b>	<b>\$ 1,768,228</b>	<b>\$ 8,397,187</b>

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

Lutheran Social Services – National Capital Area  
 Statements of Cash Flows  
 Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (540,946)	\$ 4,953,404
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	3,086	38,875
Net realized and unrealized (gains) losses on investments	115,461	(94,604)
Forgiveness of Paycheck Protection Program loan	(560,295)	(550,595)
(Gain) loss on disposal of property and equipment	25,177	(3,128,570)
(Increase) decrease in assets		
Contract and grant receivables	(4,206,232)	(671,556)
Prepaid expenses	(79,196)	(10,325)
Deposits	(56,554)	(18,809)
Increase (decrease) in liabilities		
Accounts payable	974,154	110,061
Accrued expenses	(20,875)	(97,729)
Deferred rent	167,388	-
Deferred revenue	24	(31,419)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,178,808)</b>	<b>498,733</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	838,606	199,340
Purchases of investments	(532,392)	(187,261)
Proceeds from sale of property	-	1,898,359
<b>Net cash provided by investing activities</b>	<b>306,214</b>	<b>1,910,438</b>
<b>Cash flows from financing activities</b>		
Draws (payments) on the line of credit	300,000	(300,000)
Bank overdraft	663,724	-
Payments under capital lease payable	-	(6,090)
Proceeds from Paycheck Protection Program loan	-	560,295
<b>Net cash provided by financing activities</b>	<b>963,724</b>	<b>254,205</b>
<b>Net increase (decrease) in cash and cash equivalents and board designated cash and cash equivalents</b>	<b>(2,908,870)</b>	<b>2,663,376</b>
Cash and cash equivalents and board designated cash and cash equivalents, beginning of year	<u>3,343,910</u>	<u>680,534</u>
<b>Cash and cash equivalents and board designated cash and cash equivalents, end of year</b>	<b>\$ 435,040</b>	<b>\$ 3,343,910</b>
<b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents	\$ 435,040	\$ 2,336,910
Cash and cash equivalents restricted for board designated endowment	-	1,007,000
	<u>\$ 435,040</u>	<u>\$ 3,343,910</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 387</u>	<u>\$ 60,850</u>
<b>Noncash disclosure of financing activities</b>		
Satisfaction of mortgage note payable during sale of property	<u>\$ -</u>	<u>\$ 1,496,086</u>

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

**Note 1 Nature of Organization**

Lutheran Social Services – National Capital Area (“LSSNCA”) is a not-for-profit organization which provides professional social services to individuals and families and assists congregations in responding to community needs through a variety of programs. These activities are funded primarily through government grants and contracts.

**Note 2 Summary of Significant Accounting Policies**

**Basis of Presentation**

LSSNCA presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenue is recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows.

**Financial Statement Presentation**

GAAP requires LSSNCA to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. Assets restricted solely through the actions of the board are reported as net assets without donor restrictions – board designated.
- Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LSSNCA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. LSSNCA’s net assets with donor restrictions at September 30, 2021 are restricted for Afghan Refugees and Asylees.

**Cash and Cash Equivalents**

LSSNCA considers demand deposits and money market funds to be cash and cash equivalents. However, cash and money market funds held by a national investment brokerage company, in accordance with LSSNCA's investment policy, are excluded from cash and cash equivalents as reported in the financial statements.

**Investments and Investment Income**

Investments in equities and mutual funds with readily determinable values are measured at fair value, based on quoted market prices in the statement of financial position. Donated investments are recorded at fair value at the date of receipt. Certificates of deposit are considered other investments and carried at cost. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in without donor restrictions unless income or loss is restricted by donor or law.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Contract and Grant Receivables**

Contract and grant receivables are generated from prime and subgrant arrangements with governmental agencies and private foundations. The provision for doubtful accounts is based on management's evaluation of the collectability of receivables. LSSNCA does not charge interest on outstanding balances.

**Property and Equipment**

Property and equipment are recorded at cost or at fair value if donated and are depreciated using the straight-line method over their estimated useful lives which range from 3 years to 25 years. LSSNCA capitalizes all property and equipment purchased with a cost of \$3,000 or more.

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance and repairs are charged to operations as incurred.

**Deferred Revenue**

Amounts collected in advance of performing services under contracts for which the revenue has not been earned are recorded as deferred revenue.

**Financial Risk**

LSSNCA invests and manages an investment portfolio that may contain certificate of deposit, equities and mutual funds. Such investments are exposed to various risks, such as interest rate, market volatility and credit risks. Due to the level of risks associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**Support**

Contributions received are recorded as with donor restricted or without donor restricted revenue, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Government Contracts and Grants**

LSSNCA has grants with U.S. Government agencies, as well as with state and local governments and private sources. Revenue from these grants is recognized as costs are incurred, on the basis of direct costs plus allowable indirect costs, subject to certain limitations based on stipulated level of effort requirements. Revenue recognized on grants that are unpaid is reflected as receivables in the accompanying statement of financial position.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities of LSSNCA have been summarized on a functional basis in the accompanying statement of functional expenses. Costs that can be identified with a particular program or support function are charged directly to that program or function. LSSNCA allocates utilities, telephone and building expenses based on the square footage used by each program, and supporting services based on units of service or total program costs.

**Indirect Costs**

Indirect costs are allocated to U.S. Government contracts and all other LSSNCA programs based on direct program costs.

**Donated Goods**

LSSNCA receives donated goods and its policy is to utilize assets given to carry out its mission. Donated goods are recorded as contributions at their estimated fair value at the date of donation. During the years ended September 30, 2022 and 2021, LSSNCA received and recognized \$334,630 and \$157,408, respectively, of donated household supplies that were used as part of the refugee and immigration program.

**Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

LSSNCA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, LSSNCA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. LSSNCA did not have any unrelated business income for the years ended September 30, 2022 and 2021.

Management has analyzed the tax positions taken and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

**Reclassifications**

Certain items in the 2021 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on the previously stated change in net assets.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Concentration of Credit Risk**

LSSNCA maintains its cash, cash equivalents, and investment balances in accounts at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) up to specified limits by each institution. At times throughout the year, the cash, cash equivalents and investment balances may exceed these limits. However, LSSNCA has not experienced any losses with respect to balances in excess of the FDIC or SIPC coverage.

**Note 3 New Accounting Standards Not Yet Adopted**

**Leases**

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of LSSNCA’s lease obligations. Topic 842 was deferred one year and will be effective for annual periods beginning after December 15, 2021.

LSSNCA is currently evaluating the impact and effect that this pronouncement will have on its financial statements and related disclosures.

**Note 4 Investments**

Investments consists of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 7,490	\$ 12,372
Certificate of deposit	-	313,434
Equities	-	79,996
Fixed income	48	43,478
Exchange traded funds	410,490	-
Mutual funds	-	390,423
	<u>\$ 418,028</u>	<u>\$ 839,703</u>

Investment income, including interest and dividends, consists of the following at September 30:

	<u>2022</u>	<u>2021</u>
Realized and unrealized gain (loss), net	\$ (115,461)	\$ 94,604
Interest and dividends	27,129	17,350
	<u>\$ (88,332)</u>	<u>\$ 111,954</u>

**Note 5 Property and Equipment**

Property and equipment, and accumulated depreciation consists of the following at September 30:

Asset Category	Lives	2022	2021
Office and computer equipment	3 to 10 years	\$ -	\$ 131,028
Leasehold improvements	10 to 25 years	-	10,940
Vehicles	5 years	<u>153,474</u>	<u>153,474</u>
		<u>153,474</u>	<u>295,442</u>
Less: accumulated depreciation and amortization		<u>(152,666)</u>	<u>(266,371)</u>
Property and equipment, net		<u>\$ 808</u>	<u>\$ 29,071</u>

**Note 6 Without Donor Restricted Net Assets - Board Designated**

**Board Designated Net Assets**

The board has designated \$288,243 for the Stronger Together Centennial Investment Fund (“Centennial Fund”). The general purpose of the Centennial Fund is to help ensure the long-term financial viability of LSSNCA and to enable it to continuously carry out its mission.

**Board Designated Endowments**

During 2021 the board approved the creation of two board designated endowment funds. \$807,000 was designated by the board for investment in new opportunities, program start-up costs, and/or evaluations as recommended by the program committee of the board of directors. \$200,000 was designated by the board for the establishment of the Norm Lambert Scholarship Endowment. During the year ended September 30, 2022, LSSNCA utilized portions of these funds in normal operations and currently no specific assets are set aside to meet this board designation. Subsequent to year end these funds were undesignated by the board.

**Note 7 Line of Credit**

LSSNCA has a line of credit with Capital Bank in the amount of \$300,000. The line of credit bears interest at Wall Street Journal Prime (6.25% and 3.25% at September 30, 2022 and 2021, respectively) plus .50%. The line of credit is secured by accounts receivable, investments, and furniture and fixtures owned by LSSNCA and matures January 2023. This line of credit was not renewed.

Subsequent to year end, LSSNCA entered into a line of credit with Bank of America in the amount of \$750,000. The line of credit bears interest at BSBY Daily Floating Rate (3.1% at September 30, 2022) plus 2.35%. The line of credit is secured by all inventory, including all materials, work in process and finished goods, and all machinery, furniture, fixtures and other equipment of every type now owned or hereafter acquired by LSSNCA and matures November 2023.

**Note 8 Mortgage Payable**

LSSNCA had a mortgage note with an interest rate of 4% payable in monthly installments of principal and interest of \$10,965. The mortgage note was collateralized by a first deed of trust on property located in Washington, D.C. During 2021, the property was sold and the mortgage note was paid in full.

**Note 9 Paycheck Protection Program Loan**

In 2021, LSSNCA obtained a loan in the amount of \$560,295 pursuant to the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and economic Security Act (“CARES Act”), provides for loans to qualifying businesses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In 2022, the loan was forgiven and recognized as PPP loan forgiveness in the accompanying statement of activities.

**Note 10 401(k) Plan**

LSSNCA sponsors a 401(k) plan that covers its full-time employees. Under the plan, employees may make elective deferrals into the plan on the first of the month following the date of hire. For employees who make elective deferrals, LSSNCA may make a discretionary match. The discretionary match is calculated after the close of the plan year, which runs from July 1st to June 30th. To be eligible to receive the match, an employee must have been employed for one year and must have worked 1,000 hours.

There is a three-year vesting schedule for the employer match portion. Vesting is attained at 33<sup>1/3</sup>% per annum for each of the three years. Contribution expense totaled \$34,415 and \$75,703 for the years ended September 30, 2022 and 2021, respectively and is included as a component of payroll taxes and benefits on the statement of functional expenses.

**Note 11 Major Grantors**

LSSNCA receives a significant amount of its federal awards from three grantors. If a significant reduction in the level of this support should occur, it may have an adverse effect on LSSNCA programs.

**Note 12 Risks and Contingencies**

**Federal Awards**

LSSNCA participates in a number of federally funded programs which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adjustments as a result of such audits.



**Note 12 Risks and Contingencies (continued)**

**Department of Health and Human Services (DHHS)**

LSSNCA has acquired certain equipment for use in its programs with funding obtained as a pass-through from the Maryland Office of Refugees and Asylees (MORA) of the State of Maryland. Under the grant agreement, title of any assets purchased by LSSNCA using the funds received from MORA over \$50 will be vested in MORA, while a listing of these assets has to be submitted to MORA at the conclusion of the grant. MORA may require LSSNCA to deliver these assets to MORA. The assets purchased using these grant proceeds are included in the accompanying statement of functional expenses under the caption “Equipment.”

**Note 13 Lease Commitments**

LSSNCA leases office space under a cancellable agreement in Hyattsville, MD. The monthly rent under this lease is \$3,155. There is an annual review performed by the landlord of each space rented. Either party may request a termination of this relationship at any time with a 30-day written notice to the other.

LSSNCA leases office space under a cancellable agreement in Baltimore, MD. The monthly rent under this lease is \$2,100. There is an annual review performed by the landlord of each space rented. Either party may request a termination of this relationship at any time with a 60-day written notice to the other.

LSSNCA leases office space under a cancellable agreement in Frederick, MD. The monthly rent under this lease is \$1,500. There is an annual review performed by the landlord of each space rented. Either party may request a termination of this relationship at any time with a 60-day written notice to the other.

LSSNCA leases office space under a cancellable agreement in Fairfax, VA. The monthly rent under this lease is \$1,600. There is an annual review performed by the landlord of each space rented. Either party may request a termination of this relationship at any time with a 90-day written notice to the other.

LSSNCA leases office space under a noncancellable agreement in Laurel, MD that expires in 2023. The monthly rent under this lease is \$3,800.

During 2021, LSSNCA entered into a noncancelable lease agreement in Washington, D.C. for office space over a term of 65 months. Monthly rent is \$19,263. Also in 2021, LSSNCA signed a supplemental lease for additional space during this period. Supplemental monthly rent is \$5,164.

During 2022, LSSNCA entered into a noncancelable lease agreement in Fairfax, VA for office space over a term of 64 months. Monthly rent is \$18,750.

During 2022, LSSNCA entered into a noncancelable lease agreement in Woodridge, VA for office space over a term of 63 months. Monthly rent is \$7,888.

**Note 13 Lease Commitments (continued)**

During 2022, LSSNCA entered into a noncancelable lease agreement in Greenbelt, MD for office space over a term of 66 months. Monthly rent is \$7,224.

During 2022, LSSNCA entered into a noncancelable lease agreement in Alexandria, VA for warehouse space over a term of 61 months. Monthly rent is \$15,031.

Total rent for the years ended September 30, 2022 and 2021 was \$669,285 and \$164,966, respectively.

Future minimum lease payments under the noncancellable leases noted above are as follows:

Year Ending September 30,	
2023	\$ 913,695
2024	922,809
2025	956,965
2026	1,016,577
2027	687,135
Thereafter	16,422
	<u>\$ 4,513,603</u>

**Note 14 Fair Value Measurement**

In accordance with GAAP, LSSNCA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statement of financial position are categorized based on the inputs to the valuation technique as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market or exchanges for identical assets and liabilities.
- Level 2 – Significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for assets and liabilities, or other market corroborated inputs.
- Level 3 – Significant unobservable inputs based on the best information available in the circumstances to the extent observable inputs are not available.

**Note 14 Fair Value Measurement (continued)**

The tables below present LSSNCA’s assets measured at fair value on a recurring basis as of September 30, 2022 and 2021, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Total 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Money market funds	\$ 7,490	\$ 7,490	\$ -	\$ -
Fixed income	48	48		
Exchange traded funds	410,490	410,490		
<b>Total investments at fair value</b>	<b>\$ 418,028</b>	<b>\$ 418,028</b>	<b>\$ -</b>	<b>\$ -</b>

	Total 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Money market funds	\$ 12,372	\$ 12,372	\$ -	\$ -
Equities	79,996	79,996	-	-
Fixed income	43,478	43,478		
Mutual funds	390,423	390,423	-	-
<b>Total investments at fair value</b>	<b>\$ 526,269</b>	<b>\$ 526,269</b>	<b>\$ -</b>	<b>\$ -</b>

LSSNCA used the following methods and significant assumptions to estimate fair value for investments recorded at fair value:

- Money market funds – Fair value is based on the quoted daily net asset value of the invested funds. Where quoted prices are available in an active market, investments are classified as Level 1. Money market funds are traded on a major exchange and, therefore, disclosed in the Level 1 hierarchy.
- Equities, exchange traded funds, and fixed income – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Stocks and mutual funds are traded on a major exchange. Accordingly, such investments are disclosed in Level 1 of the hierarchy.
- Mutual funds – Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by LSSNCA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price.

**Note 15 Liquidity**

As of September 30, 2022 and 2021, LSSNCA’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 435,040	\$ 2,336,910
Investments	418,028	839,703
Contract and grant receivables, net of allowance	<u>6,265,895</u>	<u>2,059,663</u>
Financial assets available to meet general expenditures within one year	<u>7,118,963</u>	<u>5,236,276</u>
Less amount not available within one year for general expenditures		
Board designated net assets	<u>1,295,243</u>	<u>369,197</u>
	<u>1,295,243</u>	<u>369,197</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,823,720</u>	<u>\$ 4,867,079</u>

LSSNCA has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. Management continually evaluates the timing of estimated collections of accounts receivable and manages cash disbursements to ensure the availability of cash to meet its operating needs. To help manage unanticipated liquidity needs, LSSNCA has a committed line of credit of \$750,000 that it could draw upon. Additionally, LSSNCA has board designated net assets without donor restrictions that could be made available for current operations, if necessary, even if LSSNCA does not intend to spend these for purposes other than those identified.

**Note 16 Subsequent Events**

Management has evaluated subsequent events through June 9, 2023, the date which the financial statements were available to be issued.

## **Supplementary Information**

Lutheran Social Services – National Capital Area  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE OR CLUSTER TITLE	FEDERAL ASSISTANCE LISTING NUMBER	PASS-THROUGH IDENTIFYING NUMBER	PASS-THROUGH TO SUB- RECIPIENTS	TOTAL FEDERAL EXPENDITURES
<b>U.S. Department of Health and Human Services:</b>				
Administration for Children and Families, Office of Refugee Resettlement Pass-through from Lutheran Immigration and Refugee Services: Matching grant program	93.567	342-22-00	\$ -	\$ 1,536,297
Administration for Children and Families, Office of Refugee Resettlement Pass-through from Lutheran Immigration and Refugee Services: Preferred Communities	93.576	90RP0124	-	215,470
Preferred Communities - Intensive Care Management	93.576	354-22-00B	-	1,650,125
<b>Total Assistance Listing 93.576</b>				<b>1,865,595</b>
Administration for Children and Families, Office of Trafficking in Persons Pass-through from Lutheran Immigration and Refugee Services: Trafficking Victim Assistance Program	93.598	various	-	18,153
Administration for Children and Families, Office of Refugee Resettlement Pass-through from Lutheran Immigration and Refugee Services: Residential Shelter/Transitional Foster Care for Unaccompanied Alien Children	93.676	90ZU0318-02-00		61,109
Residential Shelter/Transitional Foster Care for Unaccompanied Alien Children	93.676	358-22-00		157,422
Transitional Foster Care	93.676	358D-22-00	-	100,149
<b>Total Assistance Listing 93.676</b>				<b>318,680</b>
Refugee and Entrant Assistance State Administered Programs: Pass-through from the Commonwealth of Virginia Department of Social Services, Office of Newcomer Services:				
Mentoring Youth in Virginia	93.566	CVS-20-090-02	-	62,268
Refugee Transitional Cash Assistance	93.566	FIA/RTCA-22-505	-	516,145
Extensive Case Management Program	93.566	FIA/ECMP-22-516-A1	-	929,120
Refugee Youth Mentoring Program	93.566	FIA/RYP-22-521	-	47,607
Refugee Health Education and Outreach	93.566	CVS-20-090-02	-	68,799
Refugee Social Services Employment Program	93.566	CVS-20-090-02	-	520,709
Unaccompanied Refugee Minors	93.566	CVS-20-110	-	405,589
Refugee School Achievement Program	93.566	CVS-20-090-02	-	61,614
VRSAP, RHEO, RSS	93.566	CVS-22-112-02	-	5,854,037
Pass-through from the State of Maryland, Department of Human Resources, Office for New Americans:				
Refugee Support Services Supplemental Assistance	93.566	FIA/RSS-22-498-A1	-	367,719
Immigrant Health Care Connection Services	93.566		-	180,292
Pass-through from District of Columbia Child and Family Service Agency				
Unaccompanied Refugee Minors	93.566	DCRL-2012-0066	-	404,420
Unaccompanied Refugee Minors	93.566	DCRL-2017-R-0049	-	1,084,473
<b>Total Assistance Listing 93.566</b>				<b>10,502,792</b>
Administration for Children and Families LSSNCA's Love Notes Sexual Risk Avoidance EBP	93.060	90SR0092-01-00	-	348,103
<b>Total U.S. Department of Health and Human Services</b>				<b>14,589,620</b>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

Lutheran Social Services – National Capital Area  
 Schedule of Expenditures of Federal Awards  
 Year Ended September 30, 2022

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**U.S. Department of State:**

U.S. Refugee Admissions Program:

Pass-through from Lutheran Immigration and Refugee Services –

Refugee Reception and Placement Program	19.510	SPRMC021CA3007	-	3,971,363
Refugee Reception and Placement Program	19.510	SPRMC021CA3290	-	7,826,657
FY 21 and 22 Afghan Placement Assistance Program	19.510	320-21/22-00-719	-	167,641

**Total Assistance Listing 19.510**

11,965,661

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ -      \$ 26,555,281

See accompanying notes to schedule of expenditures of federal awards.

**Note A Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of LSSNCA under programs of the federal government for the year ended September 30, 2022. 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 operation of LSSNCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LSSNCA.

**Note B Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C Indirect Cost Rate**

Lutheran Social Services – National Capital Area has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**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 – National Capital Area

Prager Metis CPAs, LLC

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We have audited, 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, the financial statement of Lutheran Social Services – National Capital Area (“LSSNCA”) (a non-profit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LSSNCA’s internal control over financial reporting (“internal control”) as a basis for designing the 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 LSSNCA’s internal control. Accordingly, we do not express an opinion on the effectiveness of LSSNCA’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 LSSNCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 LSSNCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LSSNCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Prager Metis CPAs, LLC*

Prager Metis CPAs, LLC  
McLean, Virginia  
June 9, 2023

**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 – National Capital Area

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

***Opinion on Each Major Federal Program***

We have audited Lutheran Social Services – National Capital Area's (“LSSNCA”) 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 LSSNCA's major federal programs for the year ended September 30, 2022. LSSNCA'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, LSSNCA 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 September 30, 2022.

***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 LSSNCA 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 LSSNCA’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 LSSNCA’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 LSSNCA'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 LSSNCA'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 LSSNCA'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 LSSNCA'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 LSSNCA's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses 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.

*Prager Metis CPAs, LLC*

Prager Metis CPAs, LLC  
McLean, Virginia  
June 9, 2023

Lutheran Social Services – National Capital Area  
 Schedule of Findings and Questioned Costs  
 Year Ended September 30, 2022

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**Section I - Summary of Auditor’s Results**

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?  Yes  No

Identification of major federal program:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
93.566	Refugee and Entrant Assistance State Administered Programs
96.567	Voluntary Agency Matching Grant Program
93.576	Preferred Communities and Preferred Communities – Intensive Case Management

Dollar threshold used to distinguish between Type A and Type B programs \$796,658

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings**

None reported.

**Section III - Federal Awards Findings and Questioned Costs**

None reported.

**Section I – Prior Year Financial Statement Findings**

There were no prior financial statement audit findings.

**Section II - Prior Year Federal Awards Findings and Questioned Costs**

Finding # 2021-001

U.S. Department of Health and Human Services  
93.566 Refugee and Entrant Assistance State Administered Programs

LSSNCA is required to maintain documentation supporting the refugee status of individuals served under the Refugee and Entrant Assistance State Administered Programs. In one instance, LSSNCA was unable to provide documentation supporting the refugee status of the individual receiving aid.

Status: This finding has been corrected.