

Financial Statements

Talbot House Ministries of Lakeland, Inc.

Years Ended June 30, 2022 and 2021

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TALBOT HOUSE MINISTRIES OF LAKELAND, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Talbot House Ministries of Lakeland, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Talbot House Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Talbot House Ministries, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Talbot House Ministries, Inc. 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.

Prior Period Financial Statements

The financial statements of Talbot House Ministries, Inc. as of June 30, 2021 were audited by another audit firm whose report dated September 20, 2021 expressed an unmodified opinion on those financial statements.

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 Talbot House Ministries, Inc.'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 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 included 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 these circumstances, but not for the purpose of expressing an opinion on the effectiveness of Talbot House Ministries, Inc.'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 Talbot House Ministries, Inc.'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 and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, 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 and State Financial Assistance 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 November 2, 2022, on our consideration of Talbot House Ministries, Inc.'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 Talbot House Ministries, Inc.'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.

Ramos & Floyd CPAs PLLC

Lakeland, Florida

November 2, 2022

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 357,685	\$ 446,314
Investments	249,064	232,822
Support receivable	150,358	196,711
Other assets	25,910	6,107
Property and equipment, net	5,608,592	4,677,846
Cash - trustee	43,133	94,843
	<hr/>	<hr/>
Total assets	<u>\$ 6,434,742</u>	<u>\$ 5,654,643</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 40,484	\$ 71,929
Funds held in trust	43,133	94,843
Accrued liabilities	103,490	119,675
Deferred revenue	-	45,300
Debt	912,046	930,000
	<hr/>	<hr/>
Total liabilities	1,099,153	1,261,747
Net assets:		
Without donor restrictions	5,335,589	4,387,636
With donor restrictions	-	5,260
	<hr/>	<hr/>
Total net assets	<u>5,335,589</u>	<u>4,392,896</u>
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Total liabilities and net assets	<u>\$ 6,434,742</u>	<u>\$ 5,654,643</u>

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and grants	\$5,097,255	\$ -	\$5,097,255
Special events	577,329	-	577,329
Program fees	145,753	-	145,753
Services performed	26,042	-	26,042
Other income	500	-	500
Change in present value of beneficial interest in trust assets	-	-	-
Investment income	(32,507)	-	(32,507)
Rent income	73,604	-	73,604
Net assets released from restrictions	5,260	(5,260)	-
Total revenues and other support	5,893,236	(5,260)	5,887,976
Expenses			
Program:			
Basic needs	1,466,284	-	1,466,284
Health and disability	1,029,514	-	1,029,514
Supporting work and independence	1,940,172	-	1,940,172
Employee solutions	278,032	-	278,032
Total program expense	4,714,002	-	4,714,002
Management and general	110,446	-	110,446
Fundraising	120,835	-	120,835
Total expense	4,945,283	-	4,945,283
Change in net assets	947,953	(5,260)	942,693
Net assets at beginning of year	4,387,636	5,260	4,392,896
Net assets at end of year	\$5,335,589	\$ -	\$5,335,589

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and grants	\$6,960,268	\$ -	\$6,960,268
Special events	171,234	-	171,234
Program fees	174,758	-	174,758
Services performed	13,283	-	13,283
Other income	59	-	59
Investment income	58,729	-	58,729
Interest from bank	2,952	-	2,952
Net assets released from restrictions	<u>399,884</u>	<u>(399,884)</u>	<u>-</u>
Total revenues and other support	7,781,167	(399,884)	7,381,283
Expenses			
Program:			
Basic needs	1,897,358	-	1,897,358
Health and disability	1,121,126	-	1,121,126
Supporting work and independence	2,904,408	-	2,904,408
Employee solutions	<u>251,598</u>	<u>-</u>	<u>251,598</u>
Total program expense	6,174,490	-	6,174,490
Management and general	107,947	-	107,947
Fundraising	<u>72,494</u>	<u>-</u>	<u>72,494</u>
Total expense	<u>6,354,931</u>	<u>-</u>	<u>6,354,931</u>
Change in net assets	1,426,236	(399,884)	1,026,352
Net assets at beginning of year	<u>2,961,400</u>	<u>405,144</u>	<u>3,366,544</u>
Net assets at end of year	<u>\$4,387,636</u>	<u>\$ 5,260</u>	<u>\$4,392,896</u>

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services						
	Basic Needs	Health and Disability	Supporting Work and Independence	Employee Solutions	Management and General	Fundraising	Total
Personnel	\$ 504,045	\$ 666,059	\$ 360,032	\$270,024	\$ 88,000	\$ 65,000	\$1,953,160
Occupancy	125,420	58,121	119,302	3,059	5,800	825	312,527
Supplies	633,917	211,306	1,267,834	-	9,771	55,010	2,177,838
Depreciation	94,918	43,987	90,288	2,315	1,711	-	233,219
Office expense	53,812	24,937	51,187	1,312	3,810	-	135,058
Equipment rental and maintenance	18,558	8,600	17,653	453	1,330	-	46,594
Professional fees	34,306	15,898	32,632	837	-	-	83,673
Interest expense	1,308	606	1,244	32	24	-	3,214
Total expenses	<u>\$1,466,284</u>	<u>\$1,029,514</u>	<u>\$ 1,940,172</u>	<u>\$278,032</u>	<u>\$ 110,446</u>	<u>\$ 120,835</u>	<u>\$4,945,283</u>

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services						
	Basic Needs	Health and Disability	Supporting Work and Independence	Employee Solutions	Management and General	Fundraising	Total
Personnel	\$ 456,476	\$ 603,201	\$ 326,054	\$244,541	\$ 86,000	\$ 65,000	\$1,781,272
Occupancy	113,658	52,671	108,114	2,772	5,752	550	283,517
Supplies	1,151,584	383,861	2,303,168	-	9,679	6,944	3,855,236
Depreciation	79,722	36,944	75,833	1,944	1,783	-	196,226
Office expense	51,747	23,980	49,223	1,262	3,441	-	129,653
Equipment rental and maintenance	13,554	6,281	12,893	331	1,268	-	34,327
Professional fees	29,380	13,615	27,947	716	-	-	71,658
Interest expense	1,237	573	1,176	32	24	-	3,042
Total expenses	<u>\$1,897,358</u>	<u>\$ 1,121,126</u>	<u>\$ 2,904,408</u>	<u>\$251,598</u>	<u>\$ 107,947</u>	<u>\$ 72,494</u>	<u>\$6,354,931</u>

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 942,693	\$ 1,026,352
Adjustments to reconcile change in net assets to net cash from (used by) operating activities:		
Depreciation	233,219	196,226
Forgiveness of payment protection program loan	-	(297,900)
In-kind contributions of investments	(33,382)	-
Net realized and unrealized (gains) losses	35,003	(55,417)
(Increase) decrease in assets:		
Support and program service receivable	46,353	52,490
Beneficial interests	-	97,048
Other assets	(19,803)	(4,032)
Increase (decrease) in liabilities:		
Accounts payable	(31,445)	13,083
Funds held in trust	(51,710)	52,407
Accrued liabilities	(16,185)	(12,820)
Deferred revenue	(45,300)	(151,396)
Net cash from (used by) operating activities	1,059,443	916,041
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,163,965)	(1,341,054)
Proceeds of investments	12,990	823,119
Purchase of investments	(30,853)	(593,859)
Net cash from (used by) investing activities	(1,181,828)	(1,111,794)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Debt proceeds	-	430,000
Repayment of debt	(17,954)	-
Net cash from (used by) financing activities	(17,954)	430,000
NET CHANGE IN CASH	(140,339)	234,247
Cash at beginning of year	541,157	306,910
Cash at end of year	\$ 400,818	\$ 541,157
RECONCILIATION OF CASH ACCOUNTS:		
Cash	\$ 357,685	\$ 446,314
Cash - trustee	43,133	94,843
Total cash accounts	\$ 400,818	\$ 541,157

Read accompanying notes to financial statements.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES - Since 1979, Talbot House Ministries of Lakeland, Inc. (the "Organization"), a non-profit Florida corporation, has provided programs for emergency and recovery services for the needy. The expanded facilities at 814 North Kentucky Avenue meet the needs of hungry and homeless people. The non-residents are provided with warm meals, showers, clothing, and a bed for the night. Those who decide to commit themselves, with their addictions and problems, to a caring staff may be enrolled in the "Trustee Program."

Special programs such as the Trustee Renewal Program (trained by a professional Renewal Program coordinator), medical clinics (manned by paid staff and volunteer doctors and nurses), life-skills classes, and counseling help each individual take steps toward recovery. The addition of a "Transition House" and Block Building on Kentucky Avenue to replace the "Promise Place" apartment house for persons on SSI and trustees, have provided new opportunities for some to continue their climb to independent living.

Members of the staff, the board of directors, the auxiliary, the many volunteers, and donors work together with compassion and diligence to carry on this ministry. The Organization is supported by churches, organizations, corporate gifts, individual contributions, the United Way, and city, county, and federal governments.

LIQUIDITY - Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity, and resulting use of cash.

DONATED MATERIALS, SUPPLIES, AND PROFESSIONAL SERVICES - The Organization receives various contributed materials, supplies, and professional medical services used primarily for providing food, clothing, and medical services and supplies for people in need.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. 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 upon which they depend have been met. Government contracts and grants, some of which are cost-reimbursable, are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization was awarded cost-reimbursable grants of \$275,127 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred. Revenue from special events is recognized when the event takes place. The Organization recognizes revenue from exchange transactions (such as rent income - program fees) when the service is rendered, thereby satisfying the Organization's performance obligation.

A receivable is recognized by the Organization for outstanding invoices or other known amounts due to it. The Organization considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. The Organization does not charge interest on outstanding accounts receivable.

Support receivable at July 1, 2020 was \$249,201.

CASH - Cash consists of cash in banks. At times, the Organization's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses from these accounts. Negative cash balances are reported as due to the bank.

FEDERAL INCOME TAX - The Organization is exempt from federal and state income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the financial statements. The Organization does not have any uncertain tax positions or unrelated business income.

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT - The Organization adheres to the Financial Accounting Standards Board Accounting Standards codification, *Fair Value Measurements and Disclosures*, which defines fair value as the price that should be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The valuation methodologies used for assets measured at fair value are as follows:

Stock - Stock is carried as fair value based on quoted prices in active markets.

Beneficial Interest in Assets Held by Others - Carrying value is measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period provided by the GiveWell Community Foundation, Inc.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

PROPERTY AND EQUIPMENT - Purchases of property and equipment in excess of \$500 are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

NET ASSETS - Net assets, revenues, support, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions may be 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 may be perpetual in nature, where the donor stipulates those 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.

FUNCTIONAL EXPENSES - The Organization allocates its expenses on a functional basis to its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are primarily allocated based on the amount of employee time involved.

RECLASSIFICATION - Certain 2021 items may have been reclassified in order to conform with the 2022 financial statement presentation.

MANAGEMENT EVALUATION - Management has evaluated subsequent events through November 2, 2022, the date which the financial statements were available for issuance.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - AGENCY TRANSACTIONS

The asset account “Cash - trustee” and the liability account “Funds held in trust” represent the cash and rent deposits received by the Organization on behalf of the homeless people. The Organization’s policy is to recognize the fair value of the cash received and an offsetting liability until the cash is distributed to the homeless person, at which time the asset and liability are removed from the Organization’s books.

NOTE 3 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 357,685	\$ 446,314
Investments	249,064	212,601
Support receivable	150,358	196,711
Donor-restricted net assets	<u>-</u>	<u>(5,260)</u>
Total	<u>\$ 757,107</u>	<u>\$ 850,366</u>

The Organization’s investments are highly liquid as there are no preventative lockups or restrictions and they can be readily liquidated to cover operating needs. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its liabilities and other obligations come due.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis.

As of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Stocks	\$ 29,916	\$ -	\$ -	\$ 29,916
Beneficial interests in assets held by others	-	-	219,148	219,148
Total	\$ 29,916	\$ -	\$219,148	\$249,064

As of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Beneficial interests in assets held by others	\$ -	\$ -	\$232,822	\$232,822

For Level 3 fair value measurement, tabular quantitative information about the significant unobservable inputs used in the fair value measurement is required unless the unobservable inputs are not developed by the reporting entity when measuring fair value.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets shown above:

Beneficial interest in assets held by others, June 30, 2020	\$406,665
Capital and other contributions	590,540
Interest and dividend income	6,058
Distributions	(823,120)
Investment fees	(2,738)
Net realized and unrealized gains	<u>55,417</u>
Beneficial interest in assets held by others, June 30, 2021	232,822
Capital and other contributions	28,722
Interest and dividend income	4,053
Distributions	(12,990)
Investment fees	(1,963)
Net realized and unrealized gains	<u>(31,496)</u>
Beneficial interest in assets held by others, June 30, 2022	<u>\$219,148</u>
Beneficial interest in trust, June 30, 2020	\$ 97,048
Distribution received	<u>(97,048)</u>
Beneficial interest in trust, June 30, 2021	<u>\$ -</u>

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of:

	<u>2022</u>	<u>2021</u>
Buildings	\$6,187,914	\$6,187,914
Furniture and equipment	857,219	827,339
Leasehold improvements	476,712	397,011
Land	371,875	371,875
Construction in progress	1,088,530	68,450
Vehicles	<u>153,614</u>	<u>119,611</u>
Total property and equipment	9,135,864	7,972,200
Less accumulated depreciation	<u>3,527,272</u>	<u>3,294,354</u>
Net property and equipment	<u>\$5,608,592</u>	<u>\$4,677,846</u>

NOTE 6 - LINE OF CREDIT

The Organization has a \$100,000 unsecured revolving credit agreement with a bank. The balance outstanding at June 30, 2022 and 2021 was zero. The note bears interest at the bank's prime lending rate plus 0.5 per annum and is due on demand. Interest paid in cash during the years ended June 30, 2022 and 2021 was \$3,215 and \$3,039, respectively.

NOTE 7 - DEBT

The Organization received funding from the Federal Home Loan Bank in Atlanta (FHLB) under the Affordable Housing Program in the amount of \$500,000. The proceeds were required to be expended on the construction of the Fellowship House. The mortgage is non-interest bearing and is to be forgiven January 2029, provided that the Organization complies with the loan covenants set forth in the agreement.

The Organization received funding from the Federal Home Loan Bank in Atlanta (FHLB) under the Affordable Housing Program in the amount of \$365,000. The proceeds were required to be expended on the construction of the Vermont Place. The mortgage is non-interest bearing and is to be forgiven December 2037, provided that the Organization complies with the loan covenants set forth in the agreement.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 7 - DEBT (continued)

Additionally, the Organization is obligated on a \$47,046, 4.25% secured by Vermont Place, Truist loan, payable \$655 monthly, including interest. Interest only payments begin March 2022 through August 2022 and principal and interest payments begin September 2022 and end February 2026 with a balloon payment.

The aggregate amounts of long-term debt maturing are as follows:

Year ending June 30,	
2023	\$ 6,110
2024	6,375
2025	6,651
2026	<u>27,910</u>
Total long-term debt	<u>\$ 47,046</u>

NOTE 8 - NET ASSETS

Restricted net assets consist of the following:

	<u>2022</u>	<u>2021</u>
Beneficial interest in trust - passage of time	<u>\$ -</u>	<u>\$ 5,260</u>
Total	<u>\$ -</u>	<u>\$ 5,260</u>

NOTE 9 - CONCENTRATIONS

In-kind contributions of materials, supplies and medical services for the years ended June 30, 2022 and 2021 included medical supplies of \$1,580,536 and \$3,404,947, respectively. Of these amounts, \$735,934 and \$1,948,772 correspondingly, was provided by three donors.

Additionally, Polk County provided grants to the Organization totaling \$1,458,655 and \$1,221,757 during the years ended June 30, 2022 and 2021, respectively.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

NOTES TO FINANCIAL STATEMENTS

(concluded)

NOTE 10 - INVESTMENT INCOME

The components of investment income return are as follows:

	<u>2022</u>	<u>2021</u>
Investment income from interest and dividends	\$ 4,459	\$ 6,058
Investment fees	(1,963)	(2,746)
Net realized gain	5,920	9,013
Net unrealized gain (loss)	<u>(40,923)</u>	<u>46,404</u>
Total	<u>\$ (32,507)</u>	<u>\$ 58,729</u>

The Organization's investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of these investments could occur in the near term. Such changes could materially affect the amount reported in the statements of the Organization.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Organization has an unsecured revolving line of credit available in the amount of \$100,000. At June 30, 2022, no balance was outstanding.

The Organization participates in federal and local programs which are subject to financial and compliance audits to determine compliance with grant requirements. In the event that expenditures would be disallowed, repayment could be required.

NOTE 12 - PANDEMIC

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported in Wuhan, China and has since extensively impacted the health and economic environment. In March 2021, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak as a national emergency.

The COVID-19 pandemic remains an evolving situation and the extent of the impact of this disease on the Center's operations and financial results will depend on future developments, including the duration and spread of the outbreak within the local, national, and world-wide community, which is uncertain.



**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 of
Talbot House Ministries of Lakeland, Inc.

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 financial statements of Talbot House Ministries, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2022.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, with which noncompliance 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
November 2, 2022



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 of
Talbot House Ministries of Lakeland, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Talbot House Ministries, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Talbot House Ministries, Inc. 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, 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 Talbot House Ministries, Inc. and to meet our other ethical responsibilities, in accordance with relevant 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 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. 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.

Ramos & Floyd CPAs PLLC

Lakeland, Florida
November 2, 2022

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2022

Grant or Program Title	Assistance Listing #	Grant / Contract Identification	Total Expenditures
Department of Housing and Urban Development /			
Office of Community Planning and Development			
Continuum of Care Homeless Assistance Competition	14.267	FL0722L4H031901	\$ 11,920
Continuum of Care Homeless Assistance Competition	14.267	FL0722L4H032002	298,045
Continuum of Care Homeless Assistance Competition	14.267	FL0050L4H032112	24,409
Continuum of Care Homeless Assistance Competition Amendment	14.267	FL0050L4H032011	66,434
Rapid Rehousing	14.267	FL0552L4H031904	9,354
Rapid Rehousing	14.267	FL055L4H032005	115,634
Rapid Rehousing	14.267	FL0669L4H32004	69,493
Rapid Rehousing	14.267	FL0669L4H31903	26,044
			<u>621,333</u>
Passed through:			
Polk County, Florida			
Community Development Block Grants/Entitlement Grants	14.218	PF200004	51,809
Community Development Block Grants/Entitlement Grants	14.218	PF200004	15,003
Socially Distant Feeding Programs	14.218		974,620
Emergency Solutions Grants Program Amendment	14.218		64,984
Emergency Solutions Grants Program - Stay Housed	14.218		69,436
Emergency Solutions Grants Program - Stay Housed	14.218		18,324
			<u>1,194,176</u>
Emergency Solutions Grants Program - Socially Distant	14.231		74,483
			<u>74,483</u>
			1,268,659

Read accompanying notes to schedule of expenditures of federal awards and state financial assistance.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2022

Grant or Program Title	Assistance Listing #	Grant / Contract Identification	Total Expenditures
Total Department of Housing and Urban Development/ Office of Community Planning and Development			<u>\$ 1,889,992</u>
Total Federal Awards			<u>\$ 1,889,992</u>
State of Florida Department of Children and Families			
Passed through:			
Homeless Coalition of Polk County, Inc.			
Homeless Challenge Grant	60.014	HMLCH	<u>\$ 52,300</u> 52,300
Emergency Solutions Grant - Rapid Rehousing	60.021		169,600
Homeless Challenge Grant - Hazard Pay	60.021		<u>183,476</u>
Total State of Florida Department of Children and Families			405,376
State of Florida Department of Health			
Passed through:			
Florida Association of Free and Charitable Clinics	64.136	CORHK	<u>160,076</u>
Total State of Florida Department of Health			160,076
Total State Financial Assistance			<u>\$ 565,452</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 2,455,444</u></u>

Read accompanying notes to schedule of expenditures of federal awards and state financial assistance.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2022**

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance represents the Federal and State grant activity of the Organization for the year ended June 30, 2022. For fiscal year 2022, the Organization did not elect to use the 10% de minimus indirect cost rate.

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 Requirement for Federal Awards*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements of the Organization. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - CONTINGENCIES

Grant monies received by the Organization are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Organization does not believe that such disallowances, if any, would have a material effect on the financial position of the Organization. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by the governmental agency of any item charged to a program cannot be determined at this time.

TALBOT HOUSE MINISTRIES OF LAKE LAND, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified		
Internal control over financial reporting:				
Material weakness identified?	_____	Yes	_____ x _____	No
Significant deficiency identified?	_____	Yes	_____ x _____	No
Noncompliance material to financial statements noted?	_____	Yes	_____ x _____	No

Federal Awards

Internal control over major federal programs:				
Material weakness identified?	_____	Yes	_____ x _____	No
Significant deficiency identified?	_____	Yes	_____ x _____	No
Type of auditor's report issued on compliance for major federal programs:				Unmodified
Any audit findings required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	_____ x _____	No

Identification of Major Federal Programs

AL Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/ Entitlement Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	_____	Yes	_____ x _____	No
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TALBOT HOUSE MINISTRIES OF LAKELAND, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Section III - Major Federal Program Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

Section IV - Status of Prior Year Audit Findings

2021-001: Financial Accounting and Reporting

Type of Finding: Material weakness

Description of Finding: The Organization had material audit journal entries posted in various areas of the audit to include cash bank reconciliation, accounts receivable, deferred revenue, and in-kind revenue. Also, the Organization did not have a system within the general ledger designed to track and manage grant expenses.

Corrective Action: The Organization's general ledger was properly maintained. Accordingly, material audit adjustments were not required. Additionally, the general ledger contained a system to track and manage grant expenses.

2021-002: Formal Review Process of Disbursements

Type of Finding: Material weakness

Description of the Finding: The disbursement system did not include a formal review process prior to release of payment.

Corrective Action: The Organization's disbursement system now includes a documented formal review process prior to release of payment.