CHRISTIAN FAMILY SERVICES, INC.

AUDITOR'S COMMUNICATION TO THE
BOARD OF DIRECTORS AND MANAGEMENT

For the Year Ended December 31, 2022

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CHRISTIAN FAMILY SERVICES, INC.
AUDITOR'S COMMUNICATION TO THE BOARD OF DIRECTORS
AND MANAGEMENT
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March 12, 2024

To the Board of Directors and Management
Christian Family Services, Inc.
Saint Louis, Missouri

As part of our audit process, we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by auditing standards generally accepted in the United States of America.

Generally accepted auditing standards also requires the communication of internal control matters to those charged with governance. Our management letter is enclosed within this document.

This information is intended solely for the use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Sikich LLP

Sikich LLP
By: Angela Dorn, CPA
Director

12655 Olive Blvd., Suite 200
St. Louis, MO 63141
314.275.7277

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To the Board of Directors and Management
Christian Family Services, Inc.

We have audited the financial statements of Christian Family Services, Inc. (the Organization) for the year ended December 31, 2022, and have issued our report thereon dated March 12, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 28, 2023. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

The allowances on accounts and pledges receivable - management reviews receivables on a monthly basis and records an allowance for any amounts that will potentially be uncollectible.

Classification of functional expenses - based on time and effort or square footage deemed appropriate for each cost category.

Depreciation expense - based on management's assumptions regarding the useful lives of these assets.

We evaluated the key methods, assumptions, and data used to develop the estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and to communicate them to the appropriate level of management. The attached schedule labeled Summary of Uncorrected Misstatements summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected are immaterial to the financial statements under audit. Refer to the attached schedule labeled Adjusting Journal Entries for a summary of the corrected misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

> -Record cumulative prior period (2020-2021) adjustments for Youth Bridge matching fund and to remove 2022 activity.
>
> -Adjust investment balance and activity.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or audit matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 12, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sikich LLP

Sikich LLP
By: Angela Dorn, CPA
Director
March 12, 2024

Christian Family Services, Inc.
Adjusting Journal Entries
Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Amount	Net Income (Loss)	Amount Chg
		Net Income (Loss) Before Adjustments			84,010.60	
AJE001	12/31/2022	ADA - Accounts Receivable	1021	(2,000.00)		
AJE001	12/31/2022	ADA - Pledges Receivable	1035	2,000.00		
AJE001	12/31/2022	Prepaid Expenses	1050	2,100.00		
AJE001	12/31/2022	Inventory Asset	1110	(4,118.40)		
AJE001	12/31/2022	Accounts Payable	2001	0.00		
AJE001	12/31/2022	Retained Earnings	3002	2,018.40		
		To correct/record prior year audit entries.				
				0.00	84,010.60	0.00
AJE002	12/31/2022	Pledges Receivable	1030	3,100.00		
AJE002	12/31/2022	ADA - Pledges Receivable	1035	(1,500.00)		
AJE002	12/31/2022	Individual Contributions	3601	(1,600.00)		
		To adjust pledges receivable to actual and pledge allowance.				
				0.00	85,610.60	1,600.00
AJE003	12/31/2022	Unearned Revenue	2030	10,237.00		
AJE003	12/31/2022	Grants	3590	(10,237.00)		
		To adjust grant revenue.				
				0.00	95,847.60	10,237.00
AJE004	12/31/2022	Building Renovations	1201	(5,800.00)		
AJE004	12/31/2022	Fixed Expense: Utilities & Maintenance	4411	5,800.00		
		To reclass deck repairs out of fixed assets and into expenses.				
				0.00	90,047.60	(5,800.00)
AJE005	12/31/2022	Computer Hardware & Software	1210	(12.00)		
AJE005	12/31/2022	Fixed Expense: Utilities & Maintenance	4411	12.00		
		To adjust IM Fixed Asset addition to utilities and repairs.				
				0.00	90,035.60	(12.00)
AJE006	12/31/2022	Computer Hardware & Software	1210	(8,586.21)		
AJE006	12/31/2022	Accumulated Depreciation	1250	8,586.21		
		To record disposition of assets during the current year.				
				0.00	90,035.60	0.00
AJE007	12/31/2022	Accumulated Depreciation	1250	(9,293.75)		
AJE007	12/31/2022	Depreciation Expense	4999	9,293.75		
		To record depreciation expenses for the current year.				
				0.00	80,741.85	(9,293.75)
AJE008	12/31/2022	Accrued Sick Pay	2010	22,114.76		
AJE008	12/31/2022	Administration: Sick Pay Accrual	4015	(22,114.76)		
		To adjust accrued sick pay to actual.				
				0.00	102,856.61	22,114.76

Number	Date	Name	Account No	Amount	Net Income (Loss)	Amount Chg
AJE009	12/31/2022	Corporate Contribution	3533	(2,500.00)		
AJE009	12/31/2022	Endowment Contributions	3559	(25,000.00)		
AJE009	12/31/2022	Endowment Fund Gain/Loss	3560	25,638.44		
AJE009	12/31/2022	Merrill Lynch Invest Gain/Loss	3561	(107,029.04)		
AJE009	12/31/2022	Individual Contributions	3601	9,828.67		
AJE009	12/31/2022	Timothy Investment Gain/Loss	3661	94,605.40		
AJE009	12/31/2022	Administration: Investment Fees	4017	4,456.53		
		To adjust investment balance and activity.				
				0.00	102,856.61	0.00
AJE010	12/31/2022	Accounts Payable	2001	(5,774.88)		
AJE010	12/31/2022	Administration: Miscellaneous	4003	14.99		
AJE010	12/31/2022	Administration: Personnel - 403B	4004	190.91		
AJE010	12/31/2022	Adoption: Personnel - 403B	4109	180.36		
AJE010	12/31/2022	Development & PR:Advertisement	4150	29.99		
AJE010	12/31/2022	Development: Personnel - 403b	4154	249.37		
AJE010	12/31/2022	Family Life: Miscellaneous	4302	124.47		
AJE010	12/31/2022	Family Life: Personnel - 403B	4303	2,174.94		
AJE010	12/31/2022	Fixed Expense: Office Supplies	4408	345.29		
AJE010	12/31/2022	Fixed Expense: Utilities & Maintenance	4411	401.82		
AJE010	12/31/2022	Foster Care: Personnel - 403B	4510	1,130.96		
AJE010	12/31/2022	Maternity: Personnel - 403B	4606	931.78		
		To record A/P for the current year.				
				0.00	97,081.73	(5,774.88)
AJE011	12/31/2022	Prepaid Expenses	1050	403.51		
AJE011	12/31/2022	Adoption: Miscellaneous	4107	(3,000.00)		
AJE011	12/31/2022	Development & PR:Annual Dinner	4151	2,100.00		
AJE011	12/31/2022	Family Life: Personnel - Health Insurance	4306	496.49		
		To adjust prepaid expenses to actual.				
				0.00	97,485.24	403.51
AJE012	12/31/2022	Endowment Fund	1101	(24,842.22)		
AJE012	12/31/2022	Opening Balance Equity	3001	26,361.56		
AJE012	12/31/2022	Corporate Contribution	3533	2,500.00		
AJE012	12/31/2022	Endowment Fund Gain/Loss	3560	507.30		
AJE012	12/31/2022	Endowment Fund Gain/Loss	3560	(4,276.68)		
AJE012	12/31/2022	Administration: Investment Fees	4017	(249.96)		
		To record cumulative prior period (2020-2021) adjustments for Youthbridge matching fund and to remove 2022 activity.				
				0.00	99,004.58	1,519.34
				0.00	**99,004.58**	**14,993.98**

SUMMARY OF UNCORRECTED MISSTATEMENTS

Year Ended December 31, 2022

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following is a summary of those misstatements.

	DEBIT (CREDIT)				
DESCRIPTION	ASSETS	LIABILITIES	EQUITY	REVENUE	EXPENSES
CARRYOVER FROM PRIOR YEARS:					
Known errors	$ -	$ -	$ -	$ -	$ -
Projected errors	-	-	-	-	-
CURRENT YEAR MISSTATEMENTS:					
KNOWN ERRORS:	-	-	-	-	-
PROJECTED ERRORS:					
Payroll reconciliation error	-	5,636	-	-	(5,636)
	$ -	$ 5,636	$ -	$ -	$ (5,636)
EFFECT (INCREASE) ON NET ASSETS			$ (5,636)		

MANAGEMENT LETTER

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To the Board of Directors and Management
Christian Family Services, Inc.

In planning and performing our audit of the financial statements of Christian Family Services, Inc. (the Organization) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Christian Family Services, Inc.'s internal control to be material weaknesses:

PREPARATION OF FINANCIAL STATEMENTS - Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (USGAAP). The Organization does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with USGAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

The outsourcing of these services is not unusual in organizations of your size. However, when this situation exists, it is important to note that the fair presentation of the financial statements remains management's responsibility and therefore management review of the financial statements is an important part of the internal control process.

AUDIT ADJUSTMENTS - During the audit, we proposed, and management agreed to, material audit adjustments. Under the current reporting requirements, if material audit adjustments are identified by the audit team, it is considered a control deficiency and a material weakness in financial reporting. The following material misstatements detected as a result of audit procedures were corrected by management:

-Record cumulative prior period (2020-2021) adjustments for Youth Bridge matching fund and to remove 2022 activity.

-Adjust investment balance and activity.

Attached to this letter is a list of all audit adjustments detected as a result of audit procedures. One of the adjustments includes recharacterizing a grant donation from income to deferred revenue. Management recorded a grant received as income; however, since the grant is a conditional cost reimbursement grant, income should be recorded as eligible expenses are incurred. Therefore, amounts collected in advance of incurring expenses should be reflected as a refundable grant advance.

YOUTH BRIDGE FUNDS TRANSFERS - The Organization determined funds previously transferred to a matching funds program at Youth Bridge actually became part of the Youth Bridge assets, even though the Organization continued to report them on their Statement of Financial Position. Youth Bridge can distribute 4% of the funds (based on a rolling 3-year quarterly average) back to the Organization in the form of a contribution. The entry to remove the value of funds previously transferred affected the beginning balances.

ENDOWMENT FUNDS - Management is responsible for the financial statements. In previous years, the Organization's financial statements included a portion of their investments as part of their endowment in error. The error was identified during the audit because an investment account previously identified as part of the endowment was closed and the funds were added to current investments instead of remaining in a separate account for endowment purposes. The effect was a significant reclassification between long-term and current investments.

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. We consider the following deficiencies in Christian Family Services, Inc.'s internal control to be significant deficiencies:

SEGREGATION OF DUTIES OVER CASH - A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If segregation of duties is inadequate, there is a resulting risk that fraud or unintentional errors could occur and not be detected.

During our review of internal control cash functions, we noted the Organization's Office Manager reconciles bank statements, mails vendor payment checks, has check signing authority for purchases under $500, and posts all cash disbursements to the general ledger.

The control weakness in these situations is that the employee has access to the physical assets, records accounting transactions related to those assets and has authorization or approval authority over the related transaction. As stated above, this may represent a conscious decision by management to accept a certain degree of risk due to cost or other considerations.

One suggestion for improving internal control over the cash disbursements area is to have a board member review an original copy of the bank statements and scan canceled checks and other transactions for unusual or improper items.

DONOR SOFTWARE RECONCILIATION - The Organization uses a donor software package (NFG) to enter amounts received from donors for reporting purposes as well as generating “thank you’s” to donors. This same information is also entered into their QuickBooks software for generating financial reports as well as performing bank reconciliations. However, there is not a process in place to reconcile what is reported in the NFG software to the QuickBooks software. We strongly recommend such a process be implemented and any variances between the two software systems be researched and resolved.

USE OF THIRD-PARTY ADMINISTRATORS - During our audit, we noted the Organization did not review, in detail, the ADP, Inc. service organization control (SOC 1) report. Since a significant amount of the processing of transactions is performed by this service organization, it is imperative that management review the procedures at the service organization on a consistent basis and documents such review in detail as part of due diligence in operating the Organization.

The SOC 1 report should be reviewed to ensure the Organization satisfies the recommended user controls and to identify potential deficiencies in controls at the service organization. Any identified deficiencies should be considered in determining the need to implement additional controls at the organization level. A thorough and documented review of the SOC 1 report helps ensure the Organization is meeting its fiduciary responsibilities and provides an annual opportunity for the Organization to obtain an unbiased, third-party opinion on the service organization’s controls.

INFORMATION TECHNOLOGY - During our audit, we noted that users of the accounting software have access to certain accounting functions that are not required for their roles and responsibilities. Due to ongoing changes in personnel and job responsibilities, users often gain access to additional financial data and software modules. This could lead to improper segregation of duties. We recommend that management evaluate and update access to accounting software to ensure users only have access to financial modules needed for their assigned duties.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sikich LLP

St. Louis, Missouri
March 12, 2024