



LORI K. ORTA, P.C.
Certified Public Accountant

October 18, 2021

To the Board of Directors and Management of
The Twelfth Step Ministry, Inc.

We have audited the financial statements of The Twelfth Step Ministry, Inc. (a nonprofit corporation) (the “Organization”) for the year ended December 31, 2020, and have issued our report thereon dated October 18, 2021. 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 January 6, 2021. Professional standards also require that we communicate to you 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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. 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:

Management’s estimate of the costs of providing the various programs and supporting services. The costs are summarized on a functional basis in the statement of activities. Salaries and benefits are allocated based on time and effort. Rent, interest, depreciation and utilities were allocated based on square footage. We evaluated the key factors and assumptions used to develop the Organization’s statement of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the costs Lovers Lane United Methodist Church (the “Church”) provides for administrative services, including but not limited to: financial reporting, human resources, information systems, facilities, insurance, communications services and legal support. The Organization reimburses the Church for use of space and for administrative services. The Organization also recognizes shared services received from personnel of the Church as in-kind professional services. Shared services generally refers to services provided by a central function of one or more individuals within an affiliate group that the Organization would otherwise need to purchase or have donated.

Management’s estimate of capital lease obligation is based on the net present value of the lease payments. We evaluated the key factors and assumptions used to develop the estimated capital lease obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of depreciation is based on straight-line basis over the estimated useful lives of the fixed assets. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Findings (continued)

Qualitative Aspects of Accounting Practices (continued)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was:

- The disclosure of liquidity and availability in Note 2.
- The disclosure of capital lease obligation – related party in Note 4.
- The disclosure of related party transactions in Note 8.
- The disclosure of financial condition in Note 11.
- The disclosure of concentrations in Note 12.
- The disclosure of subsequent events in Note 13.

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 communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- To correct prior year client entry to record 2019 depreciation expense. Increased net assets by \$66,504.
- To record 2020 capital lease interest. Decreased net assets by \$87,155.
- To increase beginning net assets in the amount of \$39,107.

The following material post-close entries were provided by management:

- To capitalize 2020 construction in progress related to a CSD building. Increased net assets by \$39,521.
- To record in-kind shared services of \$6,886. No net asset effect.
- To post prior year accumulated depreciation and current year depreciation expense. Decreased net assets by \$133,008.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing 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 October 18, 2021.

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.

Significant Audit Findings (continued)

Other Audit Findings or Issues

In planning and performing our audit of the financial statements of the Organization as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, 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.

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 the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies that we consider to be material weaknesses.

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 Organization's internal control to be significant deficiencies:

Significant Deficiency

During our audit, we noted that various accounts had not been adjusted to reflect accurate year end balances in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, the following accounts were corrected during the audit process:

- Cash and cash equivalents
- Property, plant and equipment
- Accounts payable and accrued expenses
- Capital lease obligation
- Net assets

We recommend that the Organization timely reconcile and adjust account balances to be in accordance with GAAP as part of the month end accounting close process.

We also 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.

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,



Lori K. Orta, P.C.