

July 2, 2019

To the Board of Directors and Management of
Franciscan Ministries, Inc., Ohio
Cincinnati, Ohio

Re: Management Letter of Comments and Recommendations

In planning and performing our audit of the financial statements of the Franciscan Ministries, Inc., Ohio (the Organization) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America (GAAP), we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 consider the following deficiencies in the Organization's internal control to be a material weakness:

Restricted Net Assets and Contributions

Management is responsible for identifying and accounting for net assets and contributions that are restricted at year end. Management did not identify the 2018 restricted net assets and contributions until requested to do so by the auditor in March 2019. An audit adjustment of \$61,324 was required to record the year end net assets with restrictions. Management's year end closing process does not include procedures to identify and account for restricted contributions whose purpose has not been met by the end of the Organization's fiscal year. We recommend that such procedures be developed and implemented by management for the Organization's 2019 year end, and that restricted contributions received by the Organization during the year be recorded in separate general ledger accounts.

Other Matters

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

The Organization has two ministries which the directors of those ministries perform the accounting duties. We recommend that the accounting for these two ministries be performed by the administrative office of the Organization. This will allow the ministry directors to focus on the operation of the ministry, the creation of a centralized accounting system and the accounting transactions to be recorded in a single general ledger.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

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

Sincerely,

Stephenson and Warner, Inc.