Family Services of the Merrimack Valley, Inc.

Financial Statements,
Supplementary Information and
Other Reporting in Accordance with
Government Auditing Standards and Uniform Guidance

September 30, 2022 and 2021

Independent Auditors' Report

To the Board of Directors
Family Services of the Merrimack Valley, Inc.

Opinion

We have audited the accompanying financial statements of Family Services of the Merrimack Valley, Inc. (the 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 referred to above present fairly, in all material respects, the financial position of the Organization 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 opinion.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 the Organization'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 the Organization'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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 information 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 February 16, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 the Organization'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.

Baker Tilly US, LLP

Tewksbury, Massachusetts
February 16, 2023

September 30	2022	2021
Assets		
Current Assets:		
Cash	**$ 1,134,769**	$ 502,807
Accounts Receivable, Net of Allowance for Doubtful Accounts of $5,000	**81,611**	66,831
Contributions and Grants Receivable	**1,506,199**	447,323
Prepaid Expenses	**44,271**	38,957
Total Current Assets	**2,766,850**	1,055,918
Property and Equipment, Net of Accumulated Depreciation	**847,483**	887,528
Security Deposits	**15,742**	15,742
Investments	**416,350**	470,015
Total Assets	**$ 4,046,425**	$ 2,429,203
Liabilities and Net Assets		
Current Liabilities:		
Line of Credit	**$ -**	$ -
Accounts Payable	**188,609**	93,551
Accrued Expenses	**236,132**	238,285
Deferred Revenue	**44,281**	78,242
Current Portion of Deferred Rent	**40,125**	41,424
Total Current Liabilities	**509,147**	451,502
Deferred Rent, Net of Current Portion	**13,374**	38,823
Total Liabilities	**522,521**	490,325
Net Assets:		
Net Assets without Donor Restrictions	**1,362,836**	1,304,762
Net Assets with Donor Restrictions	**2,161,068**	634,116
Total Net Assets	**3,523,904**	1,938,878
Total Liabilities and Net Assets	**$ 4,046,425**	$ 2,429,203

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

For the Years Ended September 30			2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:						
Revenue and Other Support:						
Government Grants and Contracts	$ 3,990,491	$ -	$ 3,990,491	$ 2,987,868	$ -	$ 2,987,868
Program Service Fees	957,474	-	957,474	1,053,099	-	1,053,099
Contributions - Nonfinancial Assets	583,515	-	583,515	476,397	-	476,397
Foundation Grants	303,091	262,855	565,946	687,978	277,900	965,878
Contributions	364,401	-	364,401	253,044	-	253,044
Special Events, Net of Direct Benefit to Donor Costs of $33,390 and $19,093, Respectively	262,132	-	262,132	112,651	-	112,651
Miscellaneous	121,944	-	121,944	69,600	-	69,600
United Way of Massachusetts Bay Contributions	42,333	-	42,333	42,964	-	42,964
Net Assets Released from Restriction	539,143	(539,143)	-	495,658	(495,658)	-
Total Revenue and Other Support	7,164,524	(276,288)	6,888,236	6,179,259	(217,758)	5,961,501
Operating Expenses:						
Program Services:						
Clinical Services	975,378	-	975,378	1,071,938	-	1,071,938
Family Services	1,582,315	-	1,582,315	1,160,844	-	1,160,844
Youth Services	680,712	-	680,712	675,407	-	675,407
Elder Services	66,644	-	66,644	48,796	-	48,796
Family Resource Center	562,052	-	562,052	489,902	-	489,902
Crisis Services	549,164	-	549,164	236,149	-	236,149
Employee Assistance	24,588	-	24,588	29,700	-	29,700
Fiscal Sponsorship	1,567,315	-	1,567,315	1,279,845	-	1,279,845
Total Program Services	6,008,168	-	6,008,168	4,992,581	-	4,992,581
General and Administrative	750,673	-	750,673	763,075	-	763,075
Fundraising	309,394	-	309,394	287,637	-	287,637
Total Operating Expenses	7,068,235	-	7,068,235	6,043,293	-	6,043,293
Increase (Decrease) in Net Assets from Operations	96,289	(276,288)	(179,999)	135,966	(217,758)	(81,792)
Nonoperating Activities:						
Capital Campaign Contributions	-	1,839,185	1,839,185	-	25,000	25,000
Investment Income, Net	(38,215)	(35,945)	(74,160)	32,068	29,204	61,272
Total Nonoperating Activities	(38,215)	1,803,240	1,765,025	32,068	54,204	86,272
Increase (Decrease) in Net Assets	58,074	1,526,952	1,585,026	168,034	(163,554)	4,480
Net Assets, Beginning of Year	1,304,762	634,116	1,938,878	1,136,728	797,670	1,934,398
Net Assets, End of Year	$ 1,362,836	$ 2,161,068	$ 3,523,904	$ 1,304,762	$ 634,116	$ 1,938,878

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

For the Year Ended September 30 **2022**

	Program Services											
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Crisis Services	Employee Assistance	Fiscal Sponsorship	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 652,455	$ 909,586	$ 448,460	$ 51,796	$ 333,685	$ 347,600	$ 16,591	$ 516,237	$ 3,276,410	$ 467,162	$ 154,353	$ 3,897,925
Program Supplies	3,354	286,719	52,977	-	93,737	56,423	10	650,127	1,143,347	25,433	13,680	1,182,460
Employee Benefits and Taxes	110,375	153,874	75,866	8,762	56,449	58,803	2,807	87,331	554,267	79,029	26,112	659,408
Contracts and Services	110,243	112,818	34,464	1,267	8,720	20,060	3,326	110,665	401,563	99,356	59,552	560,471
Office Rent	-	7,700	-	-	20,142	7,500	-	115,888	151,230	8,633	-	159,863
Building and Equipment	22,389	31,212	15,389	1,777	11,450	11,928	569	17,715	112,429	16,030	5,297	133,756
Printing and Publications	10,120	11,910	12,856	-	11,725	18,017	240	16,664	81,532	10,915	16,699	109,146
Depreciation	12,577	17,533	8,644	998	6,432	6,700	320	9,951	63,155	9,005	2,975	75,135
Meeting and Dues	11	12,516	4,602	-	5,298	7,221	-	11,090	40,738	7,403	25,586	73,727
Office Services	3,335	7,535	3,956	300	5,959	9,677	450	14,662	45,874	20,201	1,092	67,167
Travel	11,730	17,959	17,111	1,006	3,703	285	39	9,633	61,466	853	1,850	64,169
Insurance	9,292	12,953	6,387	738	4,752	4,950	236	7,352	46,660	6,653	2,198	55,511
Special Event Expense	-	-	-	-	-	-	-	-	-	-	33,390	33,390
Bad Debt	29,497	-	-	-	-	-	-	-	29,497	-	-	29,497
Total Expenses	975,378	1,582,315	680,712	66,644	562,052	549,164	24,588	1,567,315	6,008,168	750,673	342,784	7,101,625
Less: Expenses Included with Revenue on the Statements of Activities	-	-	-	-	-	-	-	-	-	-	33,390	33,390
	$ 975,378	$ 1,582,315	$ 680,712	$ 66,644	$ 562,052	$ 549,164	$ 24,588	$ 1,567,315	$ 6,008,168	$ 750,673	$ 309,394	$ 7,068,235

For the Year Ended September 30 2021

	Program Services											
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Crisis Services	Employee Assistance	Fiscal Sponsorship	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 728,115	$ 668,144	$ 437,543	$ 37,737	$ 285,847	$ 140,265	$ 20,677	$ 429,052	$ 2,747,380	$ 460,087	$ 181,480	$ 3,388,947
Program Supplies	4,613	188,926	58,872	-	78,406	22,369	-	471,223	824,409	31,702	2,236	858,347
Employee Benefits and Taxes	121,304	111,312	72,894	6,287	47,622	23,368	3,445	71,480	457,712	76,650	30,234	564,596
Contracts and Services	120,922	58,450	40,176	1,035	9,671	7,266	3,415	143,477	384,412	121,511	47,874	553,797
Office Rent	-	8,400	-	-	28,997	6,650	-	102,093	146,140	12,426	-	158,566
Building and Equipment	28,670	26,308	17,229	1,486	11,255	5,523	814	16,894	108,179	18,114	7,146	133,439
Printing and Publications	12,931	51,906	12,328	-	8,334	19,740	20	11,143	116,402	2,991	6,750	126,143
Depreciation	16,073	14,749	9,659	833	6,310	3,096	457	9,471	60,648	10,157	4,006	74,811
Meeting and Dues	90	13,674	2,076	-	1,300	2,591	-	3,003	22,734	5,135	3,670	31,539
Office Services	4,558	7,046	3,714	312	6,356	3,016	553	14,347	39,902	16,959	1,364	58,225
Travel	5,975	1,901	14,349	540	1,514	160	9	1,222	25,670	437	153	26,260
Insurance	10,928	10,028	6,567	566	4,290	2,105	310	6,440	41,234	6,906	2,724	50,864
Special Event Expense	-	-	-	-	-	-	-	-	-	-	19,093	19,093
Bad Debt	17,759	-	-	-	-	-	-	-	17,759	-	-	17,759
Total Expenses	1,071,938	1,160,844	675,407	48,796	489,902	236,149	29,700	1,279,845	4,992,581	763,075	306,730	6,062,386
Less: Expenses Included with Revenue on the Statements of Activities	-	-	-	-	-	-	-	-	-	-	19,093	19,093
	$ 1,071,938	$ 1,160,844	$ 675,407	$ 48,796	$ 489,902	$ 236,149	$ 29,700	$ 1,279,845	$ 4,992,581	$ 763,075	$ 287,637	$ 6,043,293

For the Years Ended September 30	**2022**	2021
Cash Flows from Operating Activities:		
Increase in Net Assets	**$ 1,585,026**	$ 4,480
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	**75,135**	74,811
Capital Campaign Contributions - Cash Received	**(1,251,335)**	(25,000)
Net Realized and Unrealized Gains	**74,160**	(58,899)
Bad Debt	**29,497**	17,759
Increase in Accounts Receivable	**(44,277)**	(20,097)
Decrease in Contributions and Grants Receivable	**(1,058,876)**	(98,768)
(Increase) Decrease in Prepaid Expenses	**(5,314)**	4,823
Increase in Accounts Payable	**95,058**	783
Decrease in Accrued Expenses	**(2,153)**	(74,289)
(Decrease) Increase in Deferred Revenue	**(33,961)**	45,912
Decrease in Deferred Rent	**(26,748)**	(40,122)
Net Cash Used in Operating Activities	**(563,788)**	(168,607)
Cash Flows from Investing Activities:		
Purchase of Investments	**(78,378)**	-
Proceeds from Sale of Investments	**57,883**	2,036
Acquisition of Property and Equipment	**(35,090)**	(285,302)
Net Cash Used in Investing Activities	**(55,585)**	(283,266)
Net Cash Provided by Financing Activities:		
Capital Contributions - Cash Received	**1,251,335**	25,000
Net Increase (Decrease) in Cash	**631,962**	(426,873)
Cash, Beginning of Year	**502,807**	929,680
Cash, End of Year	**$ 1,134,769**	$ 502,807

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

1. Organization and Summary of Significant Accounting Policies:

Nature of Organization: Family Services of Merrimack Valley, Inc. (the Organization) is a private nonprofit social service agency incorporated on June 21, 1876. The Organization is located in Lawrence, Massachusetts and provides a broad range of evidence-based prevention and treatment programs that result in self sufficiency and improved outcomes for its clients. Over twenty programs are currently offered in the areas of child welfare, parent education, youth development and mentoring, employee assistance, mental health treatment and suicide prevention. These services reach over 7,400 individuals from the Greater Lawrence area annually.

Basis of Presentation: The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to the authoritative United States generally accepted accounting principles as found in the Accounting Standards Codification (ASC) and Accounting Standards Updates (ASU) of the Financial Accounting Standards Board (FASB).

The Organization reports 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. These net assets may be used at the discretion of the Organization's management and Board of Directors. Net assets without donor restrictions include net assets designated by the board for specific purposes.
>
> *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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations: The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing prevention and treatment programs. Nonoperating activities are limited to resources that generate return from investments that are considered to be of a more unusual or nonrecurring nature.

Fair Value Measurements: The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

1. Organization and Summary of Significant Accounting Policies (Continued):

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Revenue and Other Support: Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Revenue represents amounts derived from program service fees, special events, rental income, grant revenue, contributions, donations, and service and cost reimbursement contracts.

Revenue is recognized when control of the goods and services provided is transferred to the Organization's customers and in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods and services using the following steps: 1) identification of the contract, or contracts with a customer, 2) identification of performance obligations in the contract, 3) determination of the transaction price, 4) allocation of the transaction price to the performance obligations in the contract and 5) recognition of revenue when or as the Organization satisfies the performance obligations.

The Organization generates revenue from program service fees, which is recorded as services are provided.

The Organization generates revenue from special events, which is recognized when the related training or event occurs.

Rental income is recorded monthly as the delivery of the services has occurred over the term of the lease, provided persuasive evidence of an arrangement exists, the fee is fixed or determinable and the collectability of the related receivable is probable. Rental payments received in advance are deferred until earned. Interest income is recorded when earned.

The Organization typically invoices its customers as services are provided and as events occur. Typical payment terms provide that customers pay upon receipt of the invoice.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long contributed assets must be used are recorded as net assets with donor restrictions. Otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of services are reported as revenue and expenses without donor restrictions at the fair value of the service received only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Organization if they had not been provided by contribution, require specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenue and expenses without donor restrictions at the time the goods or space is received.

The Organization must determine whether a contribution (or a promise to give) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. The Organization cannot consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

1. Organization and Summary of Significant Accounting Policies (Continued):

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Grant revenue is recognized as reimbursable expenses are incurred and upon meeting the legal and contractual requirements of the funding source.

In addition, the Organization's programs are supported by contracts negotiated with various agencies of the Commonwealth of Massachusetts. Therefore, the Organization is subject to regulations and rate formulas. Excess of revenue over expenses from the Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Organization for expenditures in accordance with its exempt purpose, provided such expenditures are reimbursable under the Operational Services Division's regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment and are reported as a liability.

Accounts Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those receivables considered to be uncollectible based upon management’s assessment of the collectability of receivables, which considers historical write-off experience and any specific risks identified in in customer or donor collection matters. Bad debts are written off against the allowance when identified. As of each of the years ended September 30, 2022 and 2021, management has established an allowance for doubtful accounts in the amount of $5,000.

Contract Balances: The Organization's contract balances, resulting from contracts with customers, include deferred revenue.

- *Deferred Revenue*: Deferred revenue represents payments received for which the aforementioned revenue recognition criteria have not been met.

Opening and closing balances for accounts receivable and contract balances from contracts with customers consist of the following:

	September 30, 2022	September 30, 2021	October 1, 2020
Accounts Receivable, Net	$ 81,611	$ 66,831	$ 64,493
Deferred Revenue	$ 44,281	$ 78,242	$ 32,330

Cash: The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Investments and Investment Income: The Organization’s investments are reported at fair value as of the date of the statements of financial position. Realized and unrealized gains and losses are reflected in the accompanying statements of activities. Investment income or loss on investments (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

1. Organization and Summary of Significant Accounting Policies (Continued):

Interpretation of Relevant Law: The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Directors has interpreted UPMIFA as considering the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) appreciation (depreciation) in the fair value of endowment investments. Therefore, unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash, investments, and accounts and grants receivable. The Organization maintains its cash and investments with high-credit quality financial institutions. The Organization believes it is not exposed to any significant losses due to credit risk on cash and investments. Accounts and grants receivable are carried at the outstanding principal balance, less an estimate for allowance for uncollectible receivables based upon management's judgment of potential defaults. Management determines the allowance for doubtful accounts by identifying troubled receivables balances and by using an assessment of the customer's or grantor's credit worthiness.

Other Risks and Uncertainties: Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Property and Equipment: Property and equipment are recorded at cost on the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Building and Improvements	5 - 39 Years
Leasehold Improvements	Lesser of Useful Life or Life of Lease
Office Equipment	5 - 10 Years

Construction in Process: Construction in process represents the planning and construction of a renovation of the main Lawrence building facility, and other direct costs related to the project. Construction in process is not depreciated until the project has been placed into service.

Impairment of Long-Lived Assets: It is required that long-lived assets be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

1. Organization and Summary of Significant Accounting Policies (Continued):

As of September 30, 2022 and 2021, the Organization has determined that there have been no significant events or changes in circumstances that would trigger impairment testing of the Organization's long-lived assets.

Deferred Rent: The Organization records rent expense on a constant periodic rate over the term of the lease agreement. The excess of the cumulative rent expense incurred over the cumulative amounts due under the lease agreement is deferred and recognized over the term of the lease.

Advertising Costs: The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses: The costs of providing the Organization's program and other activities have been summarized on a functional basis in the statements of activities. Expenses related directly to program services or supporting activities are charged directly while other expenses that are common to several functions are allocated based on management's estimates, among major classes of programs services and supporting activities.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and Effort
Contracts and Services	Time and Effort
Employee Benefits and Taxes	Time and Effort
Building and Equipment	Time and Effort
Depreciation	Time and Effort
Insurance	Time and Effort

Income Taxes: The Organization is a nonprofit Organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. The Organization may be subject to federal and state income taxes for profits generated from trade or business activities unrelated to the Organization's exempt function. As of September 30, 2022 and 2021, management believes that the Organization has not generated any unrelated business taxable income.

The Organization assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of activities. The Organization has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of September 30, 2022 and 2021. The Organization does not expect any material change in uncertain tax benefits within the next 12 months.

Use of Estimates: Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with GAAP. Actual results experienced by the Organization may differ from those estimates.

Subsequent Events: Management has evaluated subsequent events spanning the period from September 30, 2022 through February 16, 2023, the date the financial statements were available to be issued.

Recently Adopted Accounting Policies: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets. Effective October 1, 2021, the Organization adopted this ASU and retrospectively applied the provision of this ASU. The adoption of ASU 2020-07 had no impact on financial statement presentation when applied retrospectively to all periods presented.

2. Fiscal Sponsorship:

The Organization entered into separate Fiscal Sponsorship Agreements with Uncommon Threads, the Lawrence/Methuen Community Coalition (LMCC), One Wish Project (Project) and Gateway to College (Gateway). Per the terms of the agreements, the Organization receives tax-deductible charitable contributions on behalf of these organizations and provides related administrative support.

During the years ended September 30, 2022 and 2021, the Organization received revenue on behalf of these organizations in the amounts as follows:

	2022	2021
Uncommon Threads	$ 837,965	$ 670,858
LMCC	608,531	610,230
Project	121,725	37,279
Gateway	-	40,400
	$ 1,568,221	$ 1,358,767

During the years ended September 30, 2022 and 2021, the Organization paid expenses on behalf of these organizations in the amounts as follows:

	2022	2021
Uncommon Threads	$ 775,567	$ 679,817
LMCC	678,369	526,436
Project	113,379	33,592
Gateway	-	40,000
	$ 1,567,315	$ 1,279,845

As of September 30, 2022 and 2021, the Organization’s net assets with donor restrictions includes unspent amounts received on behalf of Uncommon Threads in the amount of $92,333 and $78,000, respectively. As of September 30, 2022 and 2021, the Organization’s net assets with donor restrictions includes unspent amounts received on behalf of LMCC in the amounts of $9,700 and $129,294, respectively.

3. Availability and Liquidity:

The following reflects the Organization's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use within one year of September 30, 2022 and 2021 due to contractual or donor-imposed restrictions.

Financial Assets at End of Year:	2022	2021
Cash	$ 1,134,769	$ 502,807
Accounts Receivable, Net of Allowance for Doubtful Accounts	81,611	66,831
Investments	416,350	470,015
Contributions and Grants Receivable	1,506,199	447,323
Total Financial Assets at End of Year	3,138,929	1,486,976
Less: Amounts Unavailable for General Expenditures within One Year:		
Due to Contractual or Donor-Imposed Restriction:		
Restricted by Donor with Time or Purpose Restrictions	2,079,644	552,692
To Be Held in Perpetuity	81,424	81,424
Board Designations:		
Board Designated Endowment Fund	232,688	215,211
	2,393,756	849,327
Financial Assets Available to Meet Cash Needs for General Expenditures over the Next 12 Months	$ 745,173	$ 637,649

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due. In addition, the Organization invests cash in excess of daily requirements in long-term investments. In the event of an unanticipated liquidity need, the Organization also could draw upon $250,000 available under its line of credit or its board designated endowment fund.

4. Property and Equipment:

Property and equipment as of September 30, 2022 and 2021 consists of the following:

	2022	2021
Land	$ 109,635	$ 109,635
Building and Improvements	963,428	963,428
Leasehold Improvements	233,213	233,213
Office Equipment	173,133	173,133
Construction in Process	132,629	97,539
	1,612,038	1,576,948
Less: Accumulated Depreciation	764,555	689,420
	$ 847,483	$ 887,528

Construction in process represents payments made by the Organization for the planning and construction of a renovation of the main Lawrence building facility. The Organization began construction in December 2022 with a goal of increasing the usage of the facility to address various space and programming needs and opportunities. As of September 30, 2022, the renovation was not yet completed and the assets were not in service.

Depreciation expense for the years ended September 30, 2022 and 2021 amounted to $75,135 and $74,811, respectively.

5. Investments:

Investments as of September 30, 2022 and 2021 consist of mutual funds in the amounts of $416,350 and $470,015, respectively.

For the years ended September 30, 2022 and 2021, net investment income consists of the following:

	2022	2021
Net Unrealized Gains	$ (75,650)	$ 60,253
Interest and Dividends	1,116	2,373
Capital Gains Reinvested	374	-
Net Realized Gains	-	(1,354)
	$ (74,160)	$ 61,272

6. Endowment:

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Accordingly, the investment process seeks the preservation of principal and optimization of total return within a framework of moderate risk. Endowment assets are invested in a mutual fund account that includes a well-diversified asset mix of equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Spending Policy: The Organization's spending policy is to appropriate for distribution from its donor-restricted endowment funds an amount equal to the rolling three-year average of the dividend and interest income (excluding capital gains) realized on the endowment fund's investments expressed as a percentage of the fair market value of the endowment fund. Such percentage is calculated as of June 30 each year and is applied to the fair market value of the endowment fund as of that date to determine the exact amount to be appropriated for the next fiscal year beginning October 1.

Appropriating amounts from the board restricted endowment fund is done annually by the Organization's Finance Committee based on an assessment of the Organization's needs in conjunction with the annual budget process. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

6. Endowment (Continued):

As of September 30, 2022 and 2021, the endowment balance, by net asset classification, consists of the following:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 138,421	$ 138,421
Board-Designated Endowment Funds	232,688	-	232,688
	$ 232,688	$ 138,421	$ 371,109

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 202,422	$ 202,422
Board-Designated Endowment Funds	215,211	-	215,211
	$ 215,211	$ 202,422	$ 417,633

The changes in the endowment balance by net asset classification as of September 30, 2022 and 2021 consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment Balance, September 30, 2020	$ 186,435	$ 175,356	$ 361,791
Investment Returns:			
Net Realized and Unrealized Gains	31,049	29,204	60,253
Appropriation of Endowment Assets for Expenditure	(2,273)	(2,138)	(4,411)
Endowment Balance, September 30, 2021	215,211	202,422	417,633
Investment Returns:			
Net Realized and Unrealized Gains	(38,215)	(35,945)	(74,160)
Transfers In	85,520	-	85,520
Appropriation of Endowment Assets for Expenditure	(29,828)	(28,056)	(57,884)
Endowment Balance, September 30, 2022	$ 232,688	$ 138,421	$ 371,109

7. Fair Value Measurements:

Investments measured at fair value on a recurring basis as of September 30, 2022 and 2021 are as follows:

	Fair Value Measurements at September 30, 2022			
	Totals	Level 1	Level 2	Level 3
Mutual Funds:				
Allocation: 50% - 70% Equity	$ 371,109	$ 371,109	$ -	$ -
Intermediate Core-Plus Bond	45,241	45,241	-	-
	$ 416,350	$ 416,350	$ -	$ -

	Fair Value Measurements at September 30, 2021			
	Total	Level 1	Level 2	Level 3
Mutual Funds:				
Allocation: 50% - 70% Equity	$ 417,633	$ 417,633	$ -	$ -
Intermediate Core-Plus Bond	52,382	52,382	-	-
	$ 470,015	$ 470,015	$ -	$ -

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used for the years ended September 30, 2022 and 2021.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 a different fair value measurement at the reporting date.

8. Line of Credit:

The Organization is party to a revolving line of credit agreement with a bank for maximum borrowings of $250,000. The line of credit is payable on demand, bears interest at the bank's prime rate, (6.25% at September 30, 2022), and is collateralized by substantially all of the assets of the Organization. As of each of the years ended September 30, 2022 and 2021, there was no outstanding balance on the line of credit.

9. Net Assets without Donor Restrictions:

Net assets without donor restrictions as of September 30, 2022 and 2021 consist of the following:

	2022	2021
Net Investment in Property and Equipment	$ 847,483	$ 887,528
Available for Operations	282,665	202,023
Board Designated Endowment	232,688	215,211
	$ 1,362,836	$ 1,304,762

10. Net Assets with Donor Restrictions:

Net assets with donor restrictions as of September 30, 2022 and 2021 consists of the following:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Family Programs:		
Court Appointed Special Advocates	$ 14,500	$ 25,000
24/7 Dad	10,000	10,000
Young Parents Support Program (YPP)	-	35,000
	24,500	70,000
Youth Programs:		
Stand and Deliver Program	105,000	104,000
Big Friends Little Friends	12,500	33,900
Arise	2,500	-
	120,000	137,900
Other Programs:		
Uncommon Threads	92,333	78,000
Samaritans	10,000	-
Lawrence/Methuen Community Coalition (LMCC)	9,700	129,294
Clinic	6,678	-
Admin	6,344	-
	125,055	207,294
Capital Grants	1,753,092	16,500
Total Purpose Restrictions	2,022,647	431,694
Subject to Spending Policy and Appropriation Guidelines:		
Investment in Perpetuity (Including Amounts above Original Gift Amounts of $81,424):		
General Endowment	138,421	202,422
Total Net Assets with Donor Restrictions	$ 2,161,068	$ 634,116

11. Net Assets Released from Restriction:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by the passage of time. Net assets released from restriction during the years ended September 30, 2022 and 2021 consist of the following:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Family Programs:		
Young Parents Support Program (YPP)	$ 35,000	$ 15,000
Court Appointed Special Advocates	25,000	40,000
24/7 Dad	10,000	10,000
	70,000	65,000
Youth Programs:		
Stand and Deliver Program	104,000	91,000
Big Friends Little Friends	33,900	25,000
Summer Adventure Days	-	1,500
	137,900	117,500
Other:		
Lawrence/Methuen Community Coalition (LMCC)	119,594	16,520
Capital Grants	102,593	119,500
Uncommon Threads	78,000	125,000
Appropriation of Appreciation on Endowment	28,056	2,138
Clinic	3,000	35,000
COVID-19 Relief	-	15,000
	331,243	313,158
Total Net Assets Released from Restriction	$ 539,143	$ 495,658

12. Conditional Contributions:

During the years ended September 30, 2022 and 2021, the Organization was awarded grants from various state and federal agencies. These grant funds are contingent upon certain funder imposed restrictions. As of September 30, 2022 and 2021, $4,529,648 and $5,787,221, respectively, of these conditional grants remain.

13. Contributions - Nonfinancial Assets:

The Organization received contributed nonfinancial assets and services recognized as revenue and other support within the statements of activities. The contributed nonfinancial assets and services did not have donor-imposed restrictions. During the years ended September 30, 2022 and 2021, contributed nonfinancial assets and services consisted of the following:

	2022	2021
Clothing and Accessories	$ 480,965	$ 418,429
Special Event Costs	74,010	19,093
Consulting Services	22,680	38,875
Laptops	5,860	-
	$ 583,515	$ 476,397

Contributed nonfinancial assets recognized comprise of donated goods, facilities, and equipment related to the Organization's programs. Contributed nonfinancial assets are valued and are reported at the estimated fair value at the date of the donation. During the years ended September 30, 2022 and 2021, contributed nonfinancial assets recognized as revenue and other support within the statements of activities included goods amounting to $560,835 and $437,522, respectively. The contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets recognized comprise of goods and services related to the Organization's programs. Contributed nonfinancial assets are valued and are reported at the estimated fair value in the financial statements based on current rates for similar consulting services.

14. Related Party Transactions:

During the years ended September 30, 2022 and 2021, the Organization purchased general liability and business insurance from an insurance agency owned by an employee of the Organization and her family members. During the years ended September 30, 2022 and 2021, the insurance expense amounted to $46,876 and $44,662, respectively.

15. Operating Leases:

The Company rents office space through various noncancelable operating leases and month-to-month lease agreements expiring on various dates through September 30, 2023. During the years ended September 30, 2022 and 2021, rent expense incurred under these noncancelable agreements amounted to $149,332 and $142,770, respectively.

Future minimum lease payments due under the noncancelable lease agreements as of September 30, 2022 are as follows:

Year Ending September 30,	
2023	$ 27,853

16. Retirement Plan:

The Organization sponsors a defined contribution pension plan covering substantially all of its employees who meet certain eligibility requirements. Through May 31, 2021, the Organization contributes an amount equal to two percent of the salaries of eligible employees. Effective June 1, 2021, Organization contributes an amount equal to three percent of the salaries of eligible employees. the Pension plan benefits are 100% vested after three years of continuous service. During the years ended September 30, 2022 and 2021, the Organization made contributions to the plan of $80,916 and $68,754, respectively.

17. Economic Dependency:

During each of the years ended September 30, 2022 and 2021, the Organization generated a substantial portion of its government grants and contracts from two grantors. During the years ended September 30, 2022 and 2021, revenue from these grantors approximated 71% and 95%, respectively, of the Organization's total government grants and contracts revenue. As of each of the years ended September 30, 2022 and 2021, contributions and grants receivable from these grantors represented approximately 72% of the Organization's total contributions and grants receivable.

18. Commitments and Contingencies:

Paycheck Protection Program: During the year ended September 30, 2020, in connection with the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Organization obtained a loan in the amount of $290,000 in connection with the Paycheck Protection Program loan program (the PPP Loan) administered by the Small Business Association (SBA). The Organization elected to account for the PPP Loan in accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* and account for the PPP Loan, in substance, as a government grant that is earned through the Organization's compliance with the loan forgiveness criteria. During the year ended September 30, 2020, the Organization estimated that the conditions were met and $290,000 was recognized in grants and contracts without donor restrictions on the statement of activities for the year then ended. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven and to provide that documentation to the SBA upon request.

Indemnifications: In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of September 30, 2022 and 2021, no amounts have been accrued related to such indemnification provisions.

For the Year Ended September 30 **2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
Department of Justice:				
Direct Funding:				
Juvenile Mentoring Program	16.726		$ -	$ 13,238
Passed-Through from the Commonwealth of Massachusetts - Office for Victim Assistance:				
Crime Victim Assistance	16.575	21VOCAVWA	-	51,709
Total Department of Justice			-	64,947
Department of Public Health:				
Passed-Through from the Commonwealth of Massachusetts - Department of Children and Families:				
Workforce Investment	21.027	0092022COVIDWKFORCE	-	40,341
Total Department of Public Health			-	40,341
Health and Human Services:				
Direct Funding:				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		-	686,610
Drug-Free Communities Support Program Grants	93.276		-	106,351
Merrimack Valley Mental Health Awareness Trainings (MV-MHAT) Project	93.243		-	72,447
Passed-Through from the Commonwealth of Massachusetts - Department of Public Health:			-	-
Opioid STR	93.788	INTF2354M04160222085	-	255,046
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	INTF3212M03170722013	-	119,655
Passed-Through from the Commonwealth of Massachusetts - Department of Children and Families:				
Promoting Safe and Stable Families	93.556	INTF0000009951920644	-	289,892
Fatherhood and Family Network	93.590	7510FSMVLAWRENCFFN22	-	3,767
Total Health and Human Services			-	1,533,768
Total Expenditures of Federal Awards			$ -	$ 1,639,056

The accompanying notes are an integral part of this Schedule.

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Family Services of the Merrimack Valley, Inc. (the Organization) 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Costs

The Organization has elected not to use the 10-percent de minimums indirect cost rate allowed under Uniform Guidance.

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Independent Auditors' 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
Family Services of the Merrimack Valley, 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 accompanying financial statements of Family Services of the Merrimack Valley, Inc. (the 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 February 16, 2023.

Report on 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 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 in a timely basis. A *significant deficiency* is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 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, 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 the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Baker Tilly US, LLP
Tewksbury, Massachusetts
February 16, 2023

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Family Services of the Merrimack Valley, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Family Services of the Merrimack Valley, 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 September 30, 2022. The Organization’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 (GAAP); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 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.

Auditors' 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 it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAP, *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 GAAP, *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 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 s*ignificant 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 Auditors' 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, 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.

Baker Tilly US, LLP

Baker Tilly US, LLP
Tewksbury, Massachusetts
February 16, 2023

Year Ended September 30, 2022

I. Summary of Independent Auditors' Report

Schedule of Expenditures of Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	____ Yes	_X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	_X_ None Reported
Noncompliance material to the financial statements noted?	____ Yes	_X_ No

Federal Awards

Internal control over major federal programs:		
• Material weakness identified?	____ Yes	_X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	_X_ None Reported
Types of auditors' report issued on compliance for major programs:	Unmodified	
• Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ Yes	_X_ No

Identification of major programs

ALN Number(s)	Name of Federal Program or Cluster
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualifies as low-risk auditee?	X___ Yes	____ No

Year Ended September 30, 2022

II. Financial Statement Findings:

A. Significant Deficiencies or Material Weaknesses in Internal Control over Financial Reporting:

None

B. Compliance Findings:

None

III. Federal Award Findings and Questioned Costs:

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance:

None

B. Compliance Findings:

None

Year Ended September 30, 2021

Prior Year Findings:

II. Financial Statement Findings:

A. Significant Deficiencies or Material Weaknesses in Internal Control over Financial Reporting:

None

B. Compliance Findings:

None

III. Federal Award Findings and Questioned Costs:

A. Significant Deficiencies or Material Weaknesses in Internal Control over Compliance:

None

B. Compliance Findings:

None