

FAMILY SERVICES OF THE MERRIMACK VALLEY

FINANCIAL REPORT

FOR THE YEARS ENDED

SEPTEMBER 30, 2017 AND 2016

FAMILY SERVICES OF THE MERRIMACK VALLEY
FINANCIAL REPORT

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SHAHEEN PALLONE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

*To the Board of Directors of
Family Services of the Merrimack Valley
Lawrence, Massachusetts*

Report on the Financial Statements

We have audited the accompanying financial statements of Family Services of the Merrimack Valley (a nonprofit organization) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Services of the Merrimack Valley as of September 30, 2017 and 2016, 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.

Other Matters

Other 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 January 8, 2018, on our consideration of Family Services of the Merrimack Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Family Services of the Merrimack Valley's internal control over financial reporting and compliance.

Shaheen, Pallone & Associates, P.C.

North Andover, Massachusetts
January 8, 2018

FAMILY SERVICES OF THE MERRIMACK VALLEY

Statements of Financial Position

September 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 330,098	\$ 248,658
Accounts and grants receivable, net	374,337	329,804
Prepaid expenses	<u>54,014</u>	<u>16,885</u>
Total Current Assets	<u>758,449</u>	<u>595,347</u>
Investments	315,063	<u>279,930</u>
Property and Equipment:		
Land	109,635	109,635
Building and improvements	670,826	670,826
Office equipment	158,119	170,116
	938,580	<u>950,577</u>
Less: Accumulated depreciation	{419,429}	<u>{388,342}</u>
Property and equipment, net	519,151	<u>562,235</u>
Total Assets	\$ 1,592,663	<u>\$ 1,437,512</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 89,075	\$ 75,573
Accrued expenses	182,830	166,697
Deferred revenue	<u>39,321</u>	<u>18,154</u>
Total Current Liabilities	<u>311,226</u>	<u>260,424</u>
Total Liabilities	<u>311,226</u>	<u>260,424</u>
Net Assets:		
Unrestricted	1,028,057	947,790
Temporarily restricted	171,956	147,874
Permanently restricted	81,424	81,424
Total Net Assets	<u>1,281,437</u>	<u>1,177,088</u>
Total Liabilities and Net Assets	<u>\$ 1,592,663</u>	<u>\$ 1,437,512</u>

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

FAMILY SERVICES OF THE MERRIMACK VALLEY

Statements of Activities

For the Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support								
Program service fees	\$ 1,103,415	\$ -	\$ -	\$ 1,103,415	\$ 898,385	\$ -	\$ -	\$ 898,385
Government grants and contracts	2,324,261			2,324,261	2,389,162			2,389,162
Contributions	234,334			234,334	150,047			150,047
Foundation grants	370,690	122,250		492,940	351,711	212,948		564,659
United Way of Massachusetts Bay	49,879			49,879	51,412			51,412
Special events	181,856			181,856	185,926			185,926
Miscellaneous	63,381			63,381	57,126			57,126
In-kind contributions	81,018			81,018	6,000			6,000
Interest and dividend income	<u>5,518</u>	<u>3,919</u>		9,437	8,833	6,916		15,749
Total revenues and other support	4,414,352	126,169		4,540,521	4,098,602	219,864		4,318,466
Net unrealized and realized gain(loss) on investments	14,818	13,987		28,805	821	(569)		252
Net assets released from restrictions	116,074	(116,074)			160,018	(160,018)		
Total revenues, gains and other support	<u>4,545,244</u>	<u>24,082</u>		<u>4,569,326</u>	<u>4,259,441</u>	<u>59,277</u>		<u>4,318,718</u>
Expenses and losses								
Program services	3,802,055			3,802,055	3,563,024			3,563,024
Management and administration	469,894			469,894	427,622			427,622
Fundraising	<u>189,986</u>			<u>189,986</u>	196,408			196,408
Total expenses	4,461,935			<u>4,461,935</u>	4,187,054			<u>4,187,054</u>
Loss on disposal of property and equipment	3,042			3,042	3,666			3,666
Total expenses and losses	<u>4,464,977</u>			<u>4,464,977</u>	<u>4,190,720</u>			<u>4,190,720</u>
Change in net assets	80,267	24,082		104,349	68,721	59,277		127,998
Net Assets - beginning of year	947,790	<u>147,874</u>	<u>81,424</u>	<u>1,177,088</u>	<u>879,069</u>	<u>88,597</u>	<u>81,424</u>	<u>1,049,090</u>
Net Assets - end of year	<u>\$ 1,028,057</u>	<u>\$ 171,956</u>	<u>\$ 81,424</u>	<u>\$ 1,281,437</u>	<u>\$ 947,790</u>	<u>\$ 147,874</u>	<u>\$ 81,424</u>	<u>\$ 1,177,088</u>

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

FAMILY SERVICES OF THE MERRIMACK VALLEY
Statement of Functional Expenses
For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	Program Services									Support			2017 Total Expenses	2016 Total Expenses	
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Lawrence/ Methuen Community Coalition	Crisis Services	Employee Assistance	Uncommon Threads	Total Program Services	Management and Administration	Fundraising			Total Support
Salaries and wages	\$ 818,864	\$ 293,210	\$495,578	\$ 33,969	\$274,804	\$307,879	\$ 72,457	\$ 40,715	\$	\$ 2,337,476	\$ 298,670	\$ 101,991	\$ 400,661	\$ 2,738,137	\$ 2,497,168
Payroll taxes	73,414	26,287	44,430	3,045	24,637	27,602	6,496	3,650		209,561	26,777	9,144	35,921	245,482	229,714
Pension and retirement	9,924	3,553	6,006	412	3,330	3,731	878	493		28,327	3,620	1,236	4,856	33,183	29,131
Group insurance	50,460	18,068	30,539	2,093	16,934	18,972	4,465	2,509		144,040	18,403	6,285	24,688	168,728	175,615
Professional contract services	14,556	48,542	5,573		8,453	53,306	3,009	3,210	23,381	160,030	25,261	6,056	31,317	191,347	194,529
Psychiatric contract services	71,858									71,858				71,858	62,312
Dues and memberships		859	287		816	329	470	350		3,111	2,200	1,080	3,280	6,391	10,622
Travel	7,723	11,852	47,303	1,107	11,278	19,453	6,002	767	13	105,498	1,599	510	2,109	107,607	142,274
Telephone	6,030	4,350	6,807	276	7,196	11,067	2,035	711	754	39,226	1,312	448	1,760	40,986	43,270
Insurance	6,984	2,501	4,227	290	2,344	2,626	618	347		19,937	2,546	870	3,416	23,353	36,222
IT support services	26,790	9,593	16,213	1,111	16,574	15,760	2,370	1,332		89,743	9,771	3,337	13,108	102,851	103,358
Postage		705	105		307		31		412	1,560	6,090	1,140	7,230	8,790	7,315
Professional fees	739	2,439	1,007			135	436		348	5,104	35,202	3,990	39,192	44,296	41,680
Equipment rental	2,900	1,778	1,755	120	1,497	1,090	257	144		9,541	1,058	361	1,419	10,960	7,917
Office rent		6,900			43,758	33,398			7,083	91,139				91,139	79,729
Repairs and maintenance	10,098	3,616	6,111	419	11,289	8,537	894	502		41,466	3,683	1,258	4,941	46,407	48,369
Conferences	175	1,372	1,025		2,369	17,359	283	85		22,668	449	320	769	23,437	25,225
Facility rental		4,217	350				400		250	5,217		3,721	3,721	8,938	14,135
Program supplies	4,965	76,728	46,764	59	43,938	43,441	15,560	810	65,803	298,068	23,545	35,397	58,942	357,010	304,078
Printing and publications	10,201	10,722	4,231		3,478	7,908	1,251	1,114	372	39,277	2,120	10,250	12,370	51,647	57,286
Bad debt expense	13,815									13,815				13,815	7,677
Interest															17
Utilities	8,829	3,161	5,343	366	2,963	9,328	781	439		31,210	3,220	1,100	4,320	35,530	29,910
Depreciation	11,975	4,288	7,247	497	4,019	4,502	1,060	595		34,183	4,368	1,492	5,860	40,043	39,501
Total Expenses	\$ 1,503,300	\$ 534,741	\$730,901	\$ 43,764	\$479,984	\$586,423	\$ 119,753	\$ 57,773	\$ 98,416	\$ 3,802,055	\$ 469,894	\$ 189,986	\$ 659,880	\$ 4,461,935	\$ 4,187,054

FAMILY SERVICES OF THE MERRIMACK VALLEY
Statement of Functional Expenses
For the Year Ended September 30, 2016

	Program Services								SuEport			2016 Total Expenses	
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Lawrence/ Methuen Community Coalition	Crisis Services	Employee Assistance	Total Program Services	Management and Administration	Fundraising		Total Support
Salaries and wages	\$609,420	\$284,972	\$534,010	\$ 35,581	\$269,583	\$ 281,492	\$ 80,713	\$ 30,808	\$2,126,579	\$ 257,022	\$ 113,567	\$370,589	\$2,497,168
Payroll taxes	48,037	22,855	42,177	2,805	26,774	27,431	6,176	2,428	178,683	35,393	15,638	51,031	229,714
Pension and retirement	6,092	2,898	5,349	356	3,395	3,479	783	308	22,660	4,488	1,983	6,471	29,131
Group insurance	37,285	17,740	32,737	2,177	20,781	19,250	4,334	1,704	136,008	27,469	12,138	39,607	175,615
Professional contract services	11,973	42,817	10,380		10,043	63,528	23,810	12,694	175,245	13,240	6,044	19,284	194,529
Psychiatric contract services	62,312								62,312				62,312
Dues and memberships	2,950	1,554	192		37		470	995	6,198	3,354	1,070	4,424	10,622
Travel	4,141	35,650	59,743	1,179	8,413	21,367	8,069	481	139,043	2,406	825	3,231	142,274
Telephone	4,544	3,263	6,982	287	8,505	15,074	2,140	732	41,527	1,209	534	1,743	43,270
Insurance	8,840	4,134	7,746	516	3,910	4,083	1,171	447	30,847	3,728	1,647	5,375	36,222
IT support services	21,940	10,259	19,225	1,281	17,289	16,007	2,906	1,109	90,016	9,253	4,089	13,342	103,358
Postage	1,264	887	1,256	56		398	364	158	4,383	1,448	1,484	2,932	7,315
Professional fees	1,196	3,196	67		35	225	4,357		9,076	28,205	4,399	32,604	41,680
Equipment rental	1,799	841	1,825	105	796	831	238	91	6,526	759	632	1,391	7,917
Office rent		4,200			42,496	33,033			79,729				79,729
Repairs and maintenance	8,267	3,866	7,244	483	12,897	9,074	1,095	418	43,344	3,485	1,540	5,025	48,369
Conferences	691	6,994	5,865		2,154	6,117	1,515	204	23,540	740	945	1,685	25,225
Facility rental		2,400	355		60		125		2,940		11,195	11,195	14,135
Program supplies	14,939	83,309	57,831	58	50,689	52,662	9,324	788	269,600	26,695	7,783	34,478	304,078
Printing and publications	7,674	6,173	5,170		10,369	11,407	3,301	3,084	47,178	2,129	7,979	10,108	57,286
Bad debt expense	7,677								7,677				7,677
Interest	4	2	4		2	2	1		15		1	2	17
Utilities	6,003	2,807	5,260	350	2,655	8,086	795	303	26,259	2,532	1,119	3,651	29,910
Depreciation	9,640	4,508	8,447	563	4,264	4,453	1,277	487	33,639	4,066	1,796	5,862	39,501
Total Expenses	\$876,688	\$545,325	\$811,865	\$45,797	\$495,147	\$ 577,999	\$ 152,964	\$ 57,239	\$3,563,024	\$ 427,622	\$ 196,408	\$624,030	\$4,187,054

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

FAMILY SERVICES OF THE MERRIMACK VALLEY

Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

	2017	2016
Cash Flow From Operating Activities		
Change in net assets	\$ 104,349	\$ 127,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,043	39,501
Net realized and unrealized gain on investments	(28,805)	(252)
Loss on disposal of property and equipment	3,042	3,666
Change in operating assets and liabilities:		
Accounts and grants receivable, net	(44,533)	(30,333)
Prepaid expenses	(37,129)	1,791
Accounts payable and accrued expenses	29,635	73,931
Deferred revenue	21,167	6,868
Total adjustments	<u>{ 16,580}</u>	<u>95,172</u>
Net cash provided by operating activities	<u>87,769</u>	<u>223,170</u>
 Cash Flow From Investing Activities		
Purchase of investments	(9,332)	(15,703)
Proceeds from sales of investments	3,003	4,071
Purchases of property and equipment		(9,800)
Net cash used in investing activities	<u>(6,329)</u>	<u>(21,432)</u>
 Net increase in cash and cash equivalents	81,440	201,738
Cash and cash equivalents, beginning of year	248,658	46,920
Cash and cash equivalents, end of year	<u>\$ 330,098</u>	<u>\$ 248,658</u>
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during year for taxes	<u>\$</u>	<u>\$</u>
Cash paid during year for interest	<u>\$</u>	<u>\$ 17</u>

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 1 ORGANIZATION

Family Services of the Merrimack Valley ("FSMV" or "the Organization") is a private non-profit social service agency located in Lawrence, Massachusetts that provides a broad range of prevention and treatment programs that are evidence-based and result in self-sufficiency and improved outcomes for its clients. Over 20 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 3,000 individuals from Greater Lawrence annually.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of FSMV and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of FSMV and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by FSMV. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenue and Support:

FSMV receives a majority of its operating funds in the form of grants or contracts from various federal, state and local government agencies. Grants and contracts are recorded as income upon the award or receipt of pledges, cash or other property subject to compliance with specific terms. FSMV also receives client fees and insurance payments for billable client services and recognizes these fees and income when earned.

Contributions :

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted. Permanently restricted contributions are invested in perpetuity, the income from which is expendable to support any activities of the Organization as directed by the donor.

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates:

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, FSMV considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Accounts and Grants Receivable:

FSMV carries its accounts receivable at cost less an allowance for doubtful accounts. An allowance for doubtful accounts is provided when accounts are considered uncollectible. An allowance for uncollectible accounts has been provided at September 30, 2017 and 2016 in the amount of \$5,000 and \$3,000, respectively.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements, see Note 5) in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment:

Property and equipment is stated at cost or fair market value, if donated. FSMV follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is calculated using the straight-line method over the useful lives of the property as follows:

Office equipment	5 to 10 years
Building and improvements	10 to 39 years

Depreciation expense for the years ended September 30, 2017 and 2016 was \$40,043 and \$39,501, respectively.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes:

Family Services of the Merrimack Valley is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and management has determined that all of the Organization's income, expenditures and activities relate to its exempt purpose, therefore no provision for federal and state income taxes has been made in the accompanying financial statements.

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: (Continued)

Accounting standards provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. Under these standards, an organization is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Organization has evaluated its significant tax positions against the criteria established and believes there are no such tax positions requiring accounting recognition. The Organization's federal and state tax returns may be subject to examination by taxing authorities for the years ended September 30, 2017, 2016, 2015, and 2014.

In-Kind Contributions:

The Organization records revenue and expenditures of an in-kind nature which represents the estimated fair market value of donated goods and services. The fair market value of these contributions which total \$81,018 and \$6,000 for the years ended September 30, 2017 and 2016, respectively, have been included in the accompanying financial statements.

In addition to the above in-kind contributions, the Organization also received non-specialized volunteer services which have not been reflected in the accompanying financial statements.

Advertising:

Advertising costs are expensed as incurred. Advertising expense was \$26,280 and \$27,556 for the years ended September 30, 2017 and 2016, respectively.

NOTE 3 CONCENTRATION OF CREDIT RISK

The accounts and grants receivable balance at September 30, 2017 and 2016 included amounts due from the Federal government and the Commonwealth of Massachusetts which accounted for more than 10% of the balance. In the aggregate this accounted for approximately 64% and 70% of the total accounts and grants receivable balance at September 30, 2017 and 2016, respectively.

During the fiscal years ended September 30, 2017 and 2016, the Organization received approximately 51% and 55%, respectively of its total revenue from the Federal government and the Commonwealth of Massachusetts.

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 4 INVESTMENTS

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements, see Note 5) and consist of the following at September 30, 2017 and 2016:

	2017		2016	
	Cost	<u>Fair Value</u>	Cost	<u>Fair Value</u>
Mutual Funds:				
Janus Balanced Fund	\$227,477	\$271,311	\$222,025	\$237,274
Dodge & Cox Income Fund	40,310	43,752	39,077	42,656
Total Investments	<u>\$261,181</u>	<u>\$315,063</u>	\$261,102	<u>\$272,230</u>

Investment income is composed of the following for the year ended September 30, 2017 and 2016:

	2017		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total
Dividends	\$ 4,817	\$ 4,515	\$ 9,332
Net realized gain	183	172	355
Net unrealized gain(loss)	<u>14,701</u>	<u>13,749</u>	<u>28,450</u>
Total Investment Income	\$ 19,101	\$ 18,436	\$ 38,131
	2016		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total
Dividends	\$ 8,787	\$ 6,916	\$ 15,703
Net realized gain	42	40	82
Net unrealized gain(loss)	<u>779</u>	(609)	-
Total Investment Income	<u>9,608</u>	\$ 6,347	\$ 15,255

NOTE 5 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework 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).

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE S FAIR VALUE MEASUREMENTS (Continued)

The three levels of fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets. The fair value of mutual funds is based on quoted net asset values of the shares held by the investment accounts at yearend.

Level 2 – Inputs other than quoted prices in Level 1 that are observable for the assets, either directly or indirectly. The investment accounts currently have no Level 2 assets.

Level 3 – Significant unobservable inputs for the assets where there is little or no market activity for the assets at the measurement date. The investment accounts currently has no Level 3 assets.

As required by ASC 820, investments are classified within the level of the lowest significant input considered in determining fair value

The inputs or methodology described above 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.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at September 30, 2017 and 2016 are as follows:

Assets at Fair Value as of September 30, 2017 and 2016

Description	Significant Observable Inputs (Level 1)	
<u>September 30,</u>		
<u>2017</u> Mutual Funds:		
Janus Balanced Fund	\$271,311	\$271,311
Dodge & Cox Income Fund	43,752	43,752
Total	\$315.063	\$315.063
September 30, 2016		
Mutual Funds:		
Janus Balanced Fund	\$237,274	\$237,274
Dodge & Cox Income Fund	42,656	42,656
Total	\$279.930	\$279.930

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 6 LINE OF CREDIT

FSMV maintains a revolving bank line of credit with a financial institution. The line has a maximum borrowing amount of \$250,000. The line, which is payable on demand and which bears interest at the bank's prime lending rate (4.25% and 3.50% at September 30, 2017 and 2016, respectively) is collateralized by all of the Organization's assets. There was no outstanding balance due on the line of credit as of September 30, 2017 or 2016.

NOTE 7 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets were available for the following purposes at September 30:

	<u>2017</u>	<u>2016</u>
Developing Youth Program	\$109,750	\$ 78,448
Parenting Program	10,000	20,550
Clinic	-0-	10,000
Samaritans	2,500	5,625
Unappropriated Appreciation on Permanently Restricted Net Assets	49,706	33,251
Total	\$171,956	\$147,874

Permanently restricted net assets at September 30, 2017 and 2016 consist of the following:

General Endowment	\$ 81,424	\$ 81,424
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NOTE 8 NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended September 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or in accordance with events specified by donors.

	<u>2017</u>	<u>2016</u>
Developing Youth Program	\$ 78,448	\$ 57,225
Parenting Program	20,550	11,950
Clinic	10,000	87,000
Samaritans	5,625	1,875
Appropriation of Appreciation on Permanently Restricted Net Assets	<u>1,451</u>	1,968
Total	\$116,074	\$160,018

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements
September 30, 2017 and 2016

NOTE 9 ENDOWMENT

GAAP provides guidance on the net asset classifications and financial statement disclosures related to donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted by the Commonwealth of Massachusetts effective June 30, 2009.

The Organization's endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the UPMIFA as requiring 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund or as required by law. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net 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 donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies

Investment Return Objectives, Risk Parameter and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. 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.

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 9 ENDOWMENT (Continued)

Spending Policy. The Organization has a policy of appropriating 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 Fund's investments expressed as a percentage of the fair-market value of the Fund. Such percentage is calculated as of June 30 each year and is applied to the fair market value of the 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.

Endowment net asset composition by type of fund as of September 30, 2017 and 2016 are as follows:

	2017			Total Net
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Endowment Assets
Donor-restricted endowment funds	\$ -0-	\$ 49,706	\$ 81,424	\$ 131,130
Board-designated endowment funds	<u>140,189</u>	<u>-0-</u>	<u>-0-</u>	<u>140,189</u>
Total funds	\$ 140,189	\$ 49,706	\$ 81,424	\$ 271,319

	2016			Total Net
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Endowment Assets
Donor-restricted endowment funds	\$ -0-	\$ 33,251	\$ 81,424	\$ 114,675
Board-designated endowment funds	<u>122,599</u>	<u>-0-</u>	<u>-0-</u>	<u>122,599</u>
Total funds	\$ 122,599	\$ 33,251	\$ 81,424	\$ 237,274

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE 9 ENDOWMENT (Continued)

Changes in endowment net assets as of September 30, 2017 and 2016 are as follows:

	2017			Total Net
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Endowment Assets
Endowment net assets, beginning of year	\$ 122,599	\$ 33,251	\$ 81,424	\$ 237,274
Contributions	-0-	-0-	-0-	-0-
Investment income	4,189	3,919	-0-	8,108
Net realized gain	183	172	-0-	355
Net unrealized gain(loss)	14,770	13,815	-0-	28,585
Amounts appropriated for expenditure	<u>(1,552)</u>	<u>(1,451)</u>	<u>-0-</u>	(3,003)
Endowment net assets, end of year	\$ 140,189	\$ 49,706	\$ 81,424	\$ 271,319
	2016			
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 117,917	\$ 28,872	\$ 81,424	\$ 228,213
Contributions	-0-	-0-	-0-	-0-
Investment income	7,395	6,916	-0-	14,311
Net realized gain	42	40	-0-	82
Net unrealized gain(loss)	(652)	(609)	-0-	(1,261)
Amounts appropriated for expenditure	(2,103)	(1,968)	<u>-0-</u>	(4,071)
Endowment net assets, end of year	<u>\$ 122,522</u>	<u>\$ 33,251</u>	<u>\$ 81,424</u>	<u>\$ 237,274</u>

FAMILY SERVICES OF THE MERRIMACK VALLEY

Notes to Financial Statements

September 30, 2017 and 2016

NOTE RELATED PARTY TRANSACTIONS

10

In the normal course of its operations, the Organization enters into certain transactions with related parties. For the years ended September 30, 2017 and 2016, the Organization purchased business and liability insurance costing \$29,659 and \$28,128, respectively, through an insurance agency which is owned by an employee of the Organization and her family members. Such transactions were entered into on terms which were substantially the same as those that would have been entered into at the time with unrelated parties.

COMPENSATED ABSENCES

NOTE

11

Compensated absences for sick pay have not been accrued since it cannot be reasonably estimated and are non-vested. The Organization's policy is to recognize these costs when actually paid.

PENSION PLAN

NOTE 12

Family Services of the Merrimack Valley maintains a defined contribution pension plan covering substantially all employees. FSMV contributes an amount equal to two percent of the salaries of eligible employees. Pension plan benefits are 100% vested after three years of continuous service. In 2017 and 2016, contributions to the plan totaled \$33,183 and \$29,131, respectively.

SURPLUS REVENUE RETENTION

NOTE

13

In accordance with the FSMV's contracts with its funding source, the Commonwealth of Massachusetts, the Organization is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). The Organization may retain as its surplus not to exceed 20% of the prior year's total support and revenue from the Commonwealth. As of September 30, 2017 and 2016, FSMV was within the allowable surplus revenue retention guidelines as noted above with respect to its Commonwealth of Massachusetts funded programs.

FINANCIAL STATEMENT RECLASSIFICATIONS

NOTE 14

Certain 2016 items may have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported changes in net assets.

SUBSEQUENT EVENTS

NOTE

15

Management has evaluated subsequent events through January 8, 2018, the date on which the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2017 that requires recognition or disclosure in these financial statements.

FAMILY SERVICES OF THE MERRIMACK VALLEY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Health and Human Services			
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		\$ 376,937
Drug-Free Communities Support Program Grants	93.276		124,954
Passed through			
Comm of MA - DPH			
Affordable Care Act - Personal Responsibility Education Program	93.092	INTF32 12M03 1068 14004/ INTF32 12M03 170722013	74,138
Comm of MA - DPH			
Pregnancy Assistance Fund Program	93.500	INTF3213MM3W32717012	229,151
Comm of MA - DSS			
Promoting Safe and Stable Families	93.556	INTF0000009951620644	252,712
Comm of MA - EEC			
Community-Based Child Abuse Prevention Grants	93.590	7541PESP15FAMSVCMERR	3,146
Comm of MA - DPH			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	INTF2354M04160222085	<u>81,477</u>
Total U.S. Department of Health and Human Services			1,142,515
U.S. Department of Justice			
Passed through			
Comm of MA - VWA			
Crime Victim Assistance	16.575	VOCA2017FSMV00000000	<u>39,142</u>
Total Expenditures of Federal Awards			<u>\$ 1,181,657</u>

Notes:

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Services of the Merrimack Valley under programs of the federal government for the year ended September 30, 2017. 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). Because the Schedule presents only a selected portion of the operations of Family Services of the Merrimack Valley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Family Services of the Merrimack Valley.
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.
3. Indirect Cost Rate - Family Services of the Merrimack Valley has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
4. Subrecipients - During the year ended September 30, 2017, there were no awards passed through to subrecipients.

SHAHEEN • PALLONE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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 of
Family Services of the Merrimack Valley
Lawrence, Massachusetts*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Services of the Merrimack Valley (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Services of the Merrimack Valley's internal control over financial reporting (internal control) to determine the 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 Family Services of the Merrimack Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Services of the Merrimack Valley's financial statements are free of 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 determination of financial statement amounts. 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.

Shaheen, Pallone & Associates, P.C.

North Andover, Massachusetts
January 8, 2018

SHAHEEN PALLONE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

*To the Board of Directors of
Family Services of the Merrimack Valley
Lawrence, Massachusetts*

Report on Compliance for Each Major Federal Program

We have audited Family Services of the Merrimack Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Family Services of the Merrimack Valley's major federal programs for the year ended September 30, 2017. Family Services of the Merrimack Valley's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Services of the Merrimack Valley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Services of the Merrimack Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Services of the Merrimack Valley's compliance.



Opinion on Each Major Federal Program

In our opinion, Family Services of the Merrimack Valley complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of Family Services of the Merrimack Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Services of the Merrimack Valley's internal control over compliance with the type of requirements that could have direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Services of the Merrimack Valley's 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 significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 purposes.

Shaheen, Pallone & Associates, P.C.

North Andover, Massachusetts
January 8, 2018

FAMILY SERVICES OF THE MERRIMACK VALLEY

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Family Services of the Merrimack Valley as of September 30, 2017 and for the year then ended were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No significant deficiencies relating to the audit of the financial statements of Family Services of the Merrimack Valley are reported in the 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*.
4. No instances of noncompliance material to the financial statements of Family Services of the Merrimack Valley were disclosed during the audit.
5. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
6. The auditors' report on compliance for the major federal award programs for Family Services of the Merrimack Valley expresses an unmodified opinion.
7. There were no audit findings relative to the major federal award programs of Family Services of the Merrimack Valley.
8. The programs tested as a major program were:

Program	CFDA No.
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086
Pregnancy Assistance Fund Program	93.500

9. The threshold used for distinguishing Type A and B programs was \$750,000.
10. Family Services of the Merrimack Valley was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

SHAHEEN PALLONE
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' COMMENTS ON OTHER MATTERS

A. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no findings or questioned costs in the prior year audit report.

B. PROVIDER ORGANIZATION RESPONSE TO AUDIT REPORT

The contents of the audit report were discussed with the Organization's Audit Committee, as well as Elizabeth Sweeney, Chief Executive Officer of Family Services of the Merrimack Valley, by John M. Pallone, Principal of Shaheen, Pallone & Associates, P.C., Certified Public Accountants.

All of the responsible officials of Family Services of the Merrimack Valley are in agreement with the auditors' conclusion.

