



**FAMILY SERVICES OF THE MERRIMACK VALLEY, INC.**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

Engineering Growth for More Than 30 Years

Business Consulting | Financial Advisory | Strategic Intelligence



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

### **INDEPENDENT AUDITORS' REPORT**

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, 2020 and 2019, 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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, Inc. as of September 30, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2021, 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 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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken 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 audits 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.

*Moody, Famiglietti & Andronico, LLP*

Moody, Famiglietti & Andronico, LLP  
Tewksbury, Massachusetts  
March 11, 2021

September 30	2020	2019
<b>Assets</b>		
Current Assets:		
Cash	\$ 929,680	\$ 564,311
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts	413,048	542,406
Prepaid Expenses	43,780	37,000
<b>Total Current Assets</b>	<b>1,386,508</b>	<b>1,143,717</b>
Property and Equipment, Net of Accumulated Depreciation	677,037	638,858
Investments	413,152	373,523
Security Deposits	15,742	15,742
<b>Total Assets</b>	<b>\$ 2,492,439</b>	<b>\$ 2,171,840</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Line of Credit	\$ -	\$ -
Accounts Payable	92,768	135,913
Accrued Expenses	312,574	231,743
Grants Payable	-	62,150
Deferred Revenue	32,330	47,985
Current Portion of Lease Liability	41,424	41,424
<b>Total Current Liabilities</b>	<b>479,096</b>	<b>519,215</b>
Lease Liability, Net of Current Portion	78,945	124,285
<b>Total Liabilities</b>	<b>558,041</b>	<b>643,500</b>
Net Assets:		
Net Assets without Donor Restrictions	1,136,728	1,063,425
Net Assets with Donor Restrictions	797,670	464,915
<b>Total Net Assets</b>	<b>1,934,398</b>	<b>1,528,340</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,492,439</b>	<b>\$ 2,171,840</b>

Statements of Activities

Family Services of the Merrimack Valley, Inc.

For the Years Ended September 30	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:						
Revenue and Other Support:						
Government Grants and Contracts	\$ 3,084,091	\$ -	\$ 3,084,091	\$ 3,287,021	\$ -	\$ 3,287,021
Program Service Fees	1,150,642	-	1,150,642	1,193,334	-	1,193,334
Foundation Grants	357,036	491,314	848,350	394,555	342,500	737,055
Contributions	216,602	-	216,602	199,965	-	199,965
In-Kind Contributions	143,195	-	143,195	143,974	-	143,974
Special Events, Net of Direct Benefit to Donor Costs of \$31,752 and \$68,155, Respectively	131,466	-	131,466	220,914	-	220,914
United Way of Massachusetts Bay Contributions	50,080	-	50,080	50,880	-	50,880
Miscellaneous	44,817	-	44,817	47,802	-	47,802
Net Assets Released from Restriction	309,664	(309,664)	-	192,502	(192,502)	-
<b>Total Revenue and Other Support</b>	<b>5,487,593</b>	<b>181,650</b>	<b>5,669,243</b>	<b>5,730,947</b>	<b>149,998</b>	<b>5,880,945</b>
Operating Expenses:						
Program Services:						
Clinical Services	1,205,036	-	1,205,036	1,181,731	-	1,181,731
Family Services	556,147	-	556,147	736,107	-	736,107
Youth Services	962,611	-	962,611	1,477,994	-	1,477,994
Elder Services	51,838	-	51,838	48,103	-	48,103
Family Resource Center	513,265	-	513,265	573,951	-	573,951
Crisis Services	212,429	-	212,429	174,448	-	174,448
Employee Assistance	23,914	-	23,914	27,268	-	27,268
Fiscal Sponsorship	911,951	-	911,951	788,513	-	788,513
<b>Total Program Services</b>	<b>4,437,191</b>	<b>-</b>	<b>4,437,191</b>	<b>5,008,115</b>	<b>-</b>	<b>5,008,115</b>
General and Administrative	701,707	-	701,707	525,158	-	525,158
Fundraising	299,398	-	299,398	215,428	-	215,428
<b>Total Operating Expenses</b>	<b>5,438,296</b>	<b>-</b>	<b>5,438,296</b>	<b>5,748,701</b>	<b>-</b>	<b>5,748,701</b>
<b>Increase (Decrease) in Net Assets from Operations</b>	<b>49,297</b>	<b>181,650</b>	<b>230,947</b>	<b>(17,754)</b>	<b>149,998</b>	<b>132,244</b>
Nonoperating Activities:						
Capital Campaign Contributions	-	131,000	131,000	-	-	-
Investment Income, Net	24,006	20,105	44,111	16,255	11,296	27,551
<b>Total Nonoperating Activities</b>	<b>24,006</b>	<b>151,105</b>	<b>175,111</b>	<b>16,255</b>	<b>11,296</b>	<b>27,551</b>
<b>Increase (Decrease) in Net Assets</b>	<b>73,303</b>	<b>332,755</b>	<b>406,058</b>	<b>(1,499)</b>	<b>161,294</b>	<b>159,795</b>
Net Assets, Beginning of Year	1,063,425	464,915	1,528,340	1,064,924	303,621	1,368,545
Net Assets, End of Year	\$ 1,136,728	\$ 797,670	\$ 1,934,398	\$ 1,063,425	\$ 464,915	\$ 1,528,340

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

Statements of Functional Expenses

Family Services of the Merrimack Valley, Inc.

For the Year Ended September 30

2020

	Program Services											Total
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Crisis Services	Employee Assistance	Fiscal Sponsorship	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 820,147	\$ 363,025	\$ 620,619	\$ 39,141	\$ 313,612	\$ 114,147	\$ 15,699	\$ 433,120	\$ 2,719,510	\$ 462,356	\$ 179,812	\$ 3,361,678
Employee Benefits and Taxes	138,457	61,286	104,773	6,608	52,944	19,270	2,650	73,120	459,108	78,055	30,356	567,519
Contracts and Services	126,389	55,885	31,958	1,211	14,464	7,883	3,566	126,876	368,232	71,876	59,548	499,656
Program Supplies	12,419	30,453	120,660	-	71,609	45,326	19	112,447	392,933	21,104	4,865	418,902
Office Rent	-	8,400	-	-	22,994	4,500	-	99,228	135,122	9,874	-	144,996
Building and Equipment	28,012	12,399	21,197	1,337	10,711	3,899	536	14,793	92,884	15,793	6,141	114,818
Depreciation	18,634	8,248	14,101	889	7,125	2,593	357	7,836	59,783	10,507	4,085	74,375
Office Services	5,500	5,011	5,909	323	5,149	3,890	555	15,550	41,887	18,457	2,443	62,787
Travel	5,910	3,545	27,550	841	7,827	326	223	11,885	58,107	972	719	59,798
Insurance	11,565	5,119	8,752	552	4,422	1,610	221	6,107	38,348	6,520	2,536	47,404
Printing and Publications	14,934	586	2,841	936	2,408	7,674	88	6,340	35,807	1,005	6,680	43,492
Special Event Expense	-	-	-	-	-	-	-	-	-	-	31,752	31,752
Bad Debt	22,990	-	-	-	-	-	-	-	22,990	-	-	22,990
Meeting and Dues	79	2,190	4,251	-	-	1,311	-	4,649	12,480	5,188	2,213	19,881
<b>Total Expenses</b>	<b>1,205,036</b>	<b>556,147</b>	<b>962,611</b>	<b>51,838</b>	<b>513,265</b>	<b>212,429</b>	<b>23,914</b>	<b>911,951</b>	<b>4,437,191</b>	<b>701,707</b>	<b>331,150</b>	<b>5,470,048</b>
Less: Expenses Included with Revenue on the Statements of Activities	-	-	-	-	-	-	-	-	-	-	31,752	31,752
	<b>\$ 1,205,036</b>	<b>\$ 556,147</b>	<b>\$ 962,611</b>	<b>\$ 51,838</b>	<b>\$ 513,265</b>	<b>\$ 212,429</b>	<b>\$ 23,914</b>	<b>\$ 911,951</b>	<b>\$ 4,437,191</b>	<b>\$ 701,707</b>	<b>\$ 299,398</b>	<b>\$ 5,438,296</b>

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

Statements of Functional Expenses (Continued)

Family Services of the Merrimack Valley, Inc.

For the Year Ended September 30

2019

	Program Services											Total
	Clinical Services	Family Services	Youth Services	Elder Services	Family Resource Center	Crisis Services	Employee Assistance	Fiscal Sponsorship	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 773,227	\$ 400,211	\$ 634,461	\$ 36,402	\$ 323,313	\$ 97,717	\$ 14,858	\$ 361,083	\$ 2,641,272	\$ 330,591	\$ 142,423	\$ 3,114,286
Employee Benefits and Taxes	140,223	72,576	115,056	6,601	58,631	17,720	2,694	65,481	478,982	59,951	25,828	564,761
Contracts and Services	167,618	125,791	464,389	1,439	21,229	9,283	5,446	94,081	889,276	59,321	25,200	973,797
Program Supplies	9,002	69,771	128,058	-	55,990	16,973	-	162,438	442,232	14,082	2,231	458,545
Office Rent	-	7,850	-	-	24,852	-	-	50,186	82,888	10,651	-	93,539
Building and Equipment	26,679	13,809	21,891	1,256	11,155	3,372	513	12,458	91,133	11,407	4,914	107,454
Depreciation	9,917	5,132	8,137	467	46,642	1,253	191	4,631	76,370	4,240	1,826	82,436
Office Services	3,757	4,747	4,859	189	4,403	2,325	526	10,420	31,226	20,902	1,575	53,703
Travel	13,515	17,491	72,260	1,249	18,497	9,068	240	9,914	142,234	1,921	1,176	145,331
Insurance	10,612	5,493	8,707	500	4,437	1,341	204	4,956	36,250	4,537	1,955	42,742
Printing and Publications	14,166	3,482	3,515	-	3,921	8,444	2,021	5,596	41,145	2,243	7,036	50,424
Special Event Expense	-	-	-	-	-	-	-	-	-	-	68,155	68,155
Bad Debt	11,347	-	-	-	-	-	-	-	11,347	-	-	11,347
Meeting and Dues	1,668	9,754	16,661	-	881	6,952	575	7,269	43,760	5,312	1,264	50,336
<b>Total Expenses</b>	<b>1,181,731</b>	<b>736,107</b>	<b>1,477,994</b>	<b>48,103</b>	<b>573,951</b>	<b>174,448</b>	<b>27,268</b>	<b>788,513</b>	<b>5,008,115</b>	<b>525,158</b>	<b>283,583</b>	<b>5,816,856</b>
Less: Expenses Included with Revenue on the Statements of Activities	-	-	-	-	-	-	-	-	-	-	68,155	68,155
	<b>\$ 1,181,731</b>	<b>\$ 736,107</b>	<b>\$ 1,477,994</b>	<b>\$ 48,103</b>	<b>\$ 573,951</b>	<b>\$ 174,448</b>	<b>\$ 27,268</b>	<b>\$ 788,513</b>	<b>\$ 5,008,115</b>	<b>\$ 525,158</b>	<b>\$ 215,428</b>	<b>\$ 5,748,701</b>

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

For the Years Ended September 30	2020	2019
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 406,058	\$ 159,795
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	74,375	82,435
Capital Campaign Contributions - Cash Received	(131,000)	-
Net Realized and Unrealized Gains	(42,435)	(20,478)
Bad Debt	22,990	11,347
Decrease (Increase) in Accounts and Grants Receivable	106,368	(80,968)
Increase in Prepaid Expenses	(6,780)	(178)
Increase in Long-Term Security Deposits	-	(15,742)
(Decrease) Increase in Accounts Payable	(43,145)	3,508
Increase in Accrued Expenses	80,831	6,611
(Decrease) Increase in Grants Payable	(62,150)	44,363
(Decrease) Increase in Deferred Revenue	(15,655)	7,152
<b>Net Cash Provided by Operating Activities</b>	<b>389,457</b>	<b>197,845</b>
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment	(112,554)	(39,913)
Proceeds from Sale of Investments	4,482	3,650
Purchase of Investments	(1,676)	(7,044)
<b>Net Cash Used in Investing Activities</b>	<b>(109,748)</b>	<b>(43,307)</b>
Cash Flows from Financing Activities:		
Capital Contributions - Cash Received	131,000	-
Repayment of Lease Liability	(45,340)	(34,891)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>85,660</b>	<b>(34,891)</b>
Net Increase in Cash	365,369	119,647
Cash, Beginning of Year	564,311	444,664
Cash, End of Year	\$ 929,680	\$ 564,311
<u>Supplemental Disclosure of Noncash Investing and Financing Activities:</u>		
Acquisition of Property and Equipment Financed with Tenant Improvement Allowance	\$ -	\$ 200,600



## 1. Organization and Summary of Significant Accounting Policies:

*Nature of Organization:* Family Services of the 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 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 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). 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 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.

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

*Revenue Recognition:* 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

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

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 special events. Revenue from special events 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.

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.

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

*Accounts and Grants 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 collectibility of receivables, which considers historical write-off experience and any specific risks identified 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, 2020 and 2019, 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.

Accounts receivable and contract balances from contracts with customers for the year ended September 30, 2020 consist of the following:

	End of Year	Beginning of Year
Accounts and Grants		
Receivable	\$ 35,988	\$ 122,363
Deferred Revenue	\$ 32,330	\$ 47,985

*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.

*Interpretation of Relevant Law:* The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Trustees 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

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

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

*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. As of September 30, 2020 and 2019, 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 activities and supporting services are charged directly to that function while other expenses that are common to several functions are allocated based on management's estimates, among major classes of programs activities and supporting services.

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, 2020 and 2019, 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.

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

*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 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, 2020 through March 11, 2021, the latter representing the issuance date of these financial statements.

*Recently Adopted Accounting Policies:* In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Organization adopted the provision of this ASU beginning October 1, 2019 and has applied such provisions on a modified prospective basis. The impact of the adoption of this ASU was immaterial to the financial statements.

In 2014, the FASB issued ASU 2014-09, *Revenue: Revenue from Contracts with Customers* (ASC 606), which replaces the existing revenue recognition standards and significantly expands the disclosure requirements for revenue arrangements. Effective October 1, 2019, the Organization adopted the guidance under ASC 606 using the modified retrospective approach. Under ASC 606, revenue is recognized when the Organization satisfies a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that the Organization expects to receive in exchange for those goods or services. Performance obligations in contracts represent distinct or separate service streams that the Organization provides to customers.

The Organization has chosen to elect a practical expedient available under ASC 606 that allows the Organization to only evaluate contracts which are not completed when determining the cumulative effect adjustment under the modified retrospective approach as of October 1, 2019, in connection with the adoption of ASC 606. As such, contracts that are “completed

contracts” as of September 30, 2019, will not be required to be reviewed. Completed contracts represent contracts where all or substantially all of the revenue have been recognized under ASC 605 prior to the ASC 606 adoption date.

The impact of the adoption of the new revenue recognition guidance was determined to not be material to the Organization’s financial statements.

## 2. Fiscal Sponsorship:

The Organization entered into separate Fiscal Sponsorship Agreements with Uncommon Threads, the Lawrence/Methuen Community Coalition (Coalition), 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, 2020 and 2019, the Organization received revenue on behalf of these organizations in the amounts as follows:

	2020	2019
Coalition	\$ 684,057	\$ 572,330
Uncommon Threads	415,509	361,886
Gateway	60,600	45,450
Project	9,733	12,310
	<u>\$ 1,169,899</u>	<u>\$ 991,976</u>

During the years ended September 30, 2020 and 2019, the Organization paid expenses on behalf of these organizations in the amounts as follows:

	2020	2019
Coalition	\$ 526,934	\$ 573,466
Uncommon Threads	316,468	287,740
Gateway	60,000	45,000
Project	8,550	12,261
	<u>\$ 911,952</u>	<u>\$ 918,467</u>

As of September 30, 2020 and 2019, the Organization’s net assets with donor restrictions includes unspent amounts received on behalf of Uncommon Threads in the amount of \$125,000 and \$75,000, respectively.

**3. Availability and Liquidity:**

The following reflects the Organization's financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general use within one year of September 30, 2020 and 2019 due to contractual or donor-imposed restrictions.

Financial Assets at End of Year:	2020	2019
Cash	\$ 929,680	\$ 564,311
Accounts and Grants Receivable, Net of Allowance for Doubtful Accounts	413,048	542,406
Investments	413,152	373,523
Total Financial Assets at End of Year	1,755,880	1,480,240
Less: Amounts Unavailable for General Expenditures within One Year:		
Due to Contractual or Donor-Imposed Restriction:		
Restricted by Donor with Time or Purpose Restrictions	716,246	383,491
To Be Held in Perpetuity	81,424	81,424
Board Designations:		
Board Designated Endowment Fund	186,435	168,427
	984,105	633,342
Financial Assets Available to Meet Cash Needs for General Expenditures over the Next 12 Months	\$ 771,775	\$ 846,898

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, 2020 and 2019 consist of the following:

	2020	2019
Building and Improvements	\$ 678,126	\$ 678,126
Leasehold Improvements	233,213	233,213
Office Equipment	173,133	158,119
Land	109,635	109,635
Construction in Process	97,539	-
	<u>1,291,646</u>	<u>1,179,093</u>
Less: Accumulated Depreciation	614,609	540,235
	<u>\$ 677,037</u>	<u>\$ 638,858</u>

Depreciation expense for the years ended September 30, 2020 and 2019 amounted to \$74,375 and \$82,435, respectively.

**5. Investments:**

Investments as of September 30, 2020 and 2019 consist of mutual funds in the amounts of \$413,152 and \$373,523, respectively.

For the years ended September 30, 2020 and 2019, net investment income consists of the following:

	2020	2019
Net Unrealized Gains	\$ 38,333	\$ 19,903
Interest and Dividends	6,586	7,073
Capital Gains		
Reinvested	380	-
Net Realized Gains (Withdrawn)	<u>(1,188)</u>	<u>575</u>
	<u>\$ 44,111</u>	<u>\$ 27,551</u>

**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, 2020 and 2019, the endowment balance, by net asset classification, consists of the following:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 175,356	\$ 175,356
Board-Designated Endowment Funds	186,435	-	186,435
	<u>\$ 186,435</u>	<u>\$ 175,356</u>	<u>\$ 361,791</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 157,415	\$ 157,415
Board-Designated Endowment Funds	168,427	-	168,427
	<u>\$ 168,427</u>	<u>\$ 157,415</u>	<u>\$ 325,842</u>

The changes in the endowment balance by net asset classification as of September 30, 2020 and 2019 consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment Balance, September 30, 2018	\$ 158,088	\$ 147,871	\$ 305,959
Investment Returns:			
Net Realized and Unrealized Gains	9,367	8,647	18,014
Interest and Dividends, Net of Investment Fees	2,870	2,649	5,519
Total Investment Returns	<u>12,237</u>	<u>11,296</u>	<u>23,533</u>
Appropriation of Endowment Assets for Expenditure	<u>(1,898)</u>	<u>(1,752)</u>	<u>(3,650)</u>
Endowment Balance, September 30, 2019	<u>168,427</u>	<u>157,415</u>	<u>325,842</u>
Investment Returns:			
Net Realized and Unrealized Gains	17,594	17,554	35,148
Interest and Dividends, Net of Investment Fees	2,730	2,551	5,281
Total Investment Returns	<u>20,324</u>	<u>20,105</u>	<u>40,429</u>
Appropriation of Endowment Assets for Expenditure	<u>(2,316)</u>	<u>(2,164)</u>	<u>(4,480)</u>
Endowment Balance, September 30, 2020	<u>\$ 186,435</u>	<u>\$ 175,356</u>	<u>\$ 361,791</u>



## 7. Fair Value Measurements:

Investments measured at fair value on a recurring basis as of September 30, 2020 and 2019 are as follows:

Fair Value Measurements at September 30, 2020					
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Totals					
Mutual Funds:					
Allocation: 50% - 70% Equity	\$	361,790	\$	361,790	\$ -
Intermediate Core-Plus Bond		51,362		51,362	\$ -
	\$	413,152	\$	413,152	\$ -

Fair Value Measurements at September 30, 2019					
		Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total					
Mutual Funds:					
Allocation: 50% - 70% Equity	\$	325,833	\$	325,833	\$ -
Intermediate Core-Plus Bond		47,690		47,690	\$ -
	\$	373,523	\$	373,523	\$ -

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, 2020 and 2019.

*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 and bears interest at the bank's prime rate (3.25% at September 30, 2020), and is collateralized by substantially all of the assets of the Organization. As of September 30, 2020 and 2019, there was no outstanding balance on the line of credit.

**Year Ending  
September 30,**

2021	\$ 121,985
2022	99,643
2023	<u>27,853</u>
	<u>\$ 249,481</u>

**9. 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, 2020 and 2019, rent expense incurred under these noncancelable agreements amounted to \$130,850 and \$79,036, respectively.

Future minimum lease payments due under the noncancelable lease agreements as of September 30, 2020 are as follows:

**10. Net Assets without Donor Restrictions:**

Net assets without donor restrictions as of September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Board Designated Endowment	\$ 186,434	\$ 168,427
Net Investment in Property and Equipment	677,037	638,858
Available for Operations	<u>273,257</u>	<u>256,140</u>
	<u>\$ 1,136,728</u>	<u>\$ 1,063,425</u>

**11. Net Assets with Donor Restrictions:**

Net assets with donor restrictions as of September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Family Programs:		
Young Parents Support Program (YPP)	\$ 50,000	\$ -
Court Appointed Special Advocates	40,000	27,500
24/7 Dad	10,000	18,000
	<u>100,000</u>	<u>45,500</u>
Youth Programs:		
Stand and Deliver Program	96,000	134,500
Big Friends Little Friends	20,000	20,000
Summer Adventure Days	1,500	-
Success Mentoring	-	12,500
	<u>117,500</u>	<u>167,000</u>
Crisis Programs:		
Suicide Prevention	-	10,000
Other Programs:		
Uncommon Threads	125,000	75,000
Lawrence/Methuen Community Coalition (LMCC)	98,814	-
Clinic	35,000	-
COVID-19 Relief	15,000	-
	<u>273,814</u>	<u>75,000</u>
Capital Grants	<u>131,000</u>	<u>10,000</u>
Total Purpose Restrictions	<u>622,314</u>	<u>307,500</u>
Subject to Spending Policy and Appropriation Guidelines:		
Investment in Perpetuity (Including Amounts above Original Gift Amounts of \$81,424):		
General Endowment	<u>175,356</u>	<u>157,415</u>
Total Net Assets with Donor Restrictions	<u>\$ 797,670</u>	<u>\$ 464,915</u>

**12. 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Family Programs:		
Court Appointed Special Advocates	\$ 27,500	\$ 60,000
24/7 Dad	18,000	10,000
	<u>45,500</u>	<u>70,000</u>
Youth Programs:		
Stand and Deliver Program	127,000	102,250
Big Friends Little Friends	27,500	8,500
Success Mentoring	12,500	-
	<u>167,000</u>	<u>110,750</u>
Crisis Programs:		
Uncommon Threads	75,000	-
Suicide Prevention	10,000	-
	<u>85,000</u>	<u>-</u>
Other:		
Capital Grants	10,000	10,000
Appropriation of Appreciation on Endowment	2,164	1,752
	<u>12,164</u>	<u>11,752</u>
Total Net Assets Released from Restriction	<u>\$ 309,664</u>	<u>\$ 192,502</u>

**13. Related Party Transactions:**

During the year ended September 30, 2019, 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, 2020 and 2019, the insurance expense amounted to \$41,374 and \$34,019, respectively.

**14. Conditional Contributions:**

During the year ended September 30, 2020, 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, 2020, \$1,312,508, of these conditional grants remain.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted and signed into law to provide certain aid and stimulus to the U.S. economy. The Organization qualifies as a small business under the CARES Act and submitted a loan application with a qualified lender for funding under the Paycheck Protection Program (PPP), administered by the Small Business Association (SBA).

On May 1, 2020, the Organization's application with the lender was approved and as a result, the Organization obtained a loan (PPP Loan) in the amount of \$290,000. The PPP Loan bore fixed interest at 1.00% per annum, which began accruing from the date of the loan, and was due to mature on May 1, 2022. The PPP Loan was unsecured and guaranteed by the SBA. The PPP Loan was eligible to be forgiven provided the Organization satisfied certain conditions and upon approval by the lender and the SBA. The PPP Loan provided for the deferral of payments until the SBA determined the forgiveness amount, at which time, any remaining PPP Loan amount would have required equal payments of principal plus accrued interest in an amount sufficient to repay the remaining PPP Loan balance by the maturity date. As of September 30, 2020, the Company submitted the application for forgiveness, but had not yet received notification of forgiveness from the SBA.

The Organization has 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 estimates the conditions were met and \$290,000 was recognized in grants and contracts without donor restrictions on the accompanying statements of activities.

On February 22, 2021, the Organization obtained from the SBA notification of forgiveness of the entire PPP Loan balance plus accrued interest in the aggregate amount of \$292,360.

**15. Donated Goods and Services:**

The Organization receives donated goods and services. The estimated fair value for goods and services is determined by the donor or by management. During the years ended September 30, 2020 and 2019, donated goods and services consist of the following:

	2020	2019
Clothing and Accessories	\$ 80,265	\$ 105,000
Special Event Costs	38,232	36,974
Consulting Services	16,198	-
Office Furniture	8,500	-
Architectural Rendering	-	2,000
	<u>\$ 143,195</u>	<u>\$ 143,974</u>

**16. Retirement Plan:**

The Organization sponsors a defined contribution pension plan covering substantially all of its employees who meet certain eligibility requirements. The Organization 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. During the years ended September 30, 2020 and 2019, the Organization made contributions to the plan of \$49,128 and \$48,470, respectively.

**17. Economic Dependency:**

During each of the years ended September 30, 2020 and 2019, the Organization generated a substantial portion of its government grants and contracts from two grantors.

**17. Economic Dependency (Continued):**

During the years ended September 30, 2020 and 2019, revenue from these grantors approximated 79% and 91%, respectively, of the Organization's total government grants and contracts revenue. As of September 30, 2020 and 2019, accounts and grants receivable from these grantors represented approximately 75% and 53%, respectively, of the Organization's total accounts and grants receivable.

**18. Risks and Uncertainties:**

On January 30, 2020, the World Health Organization (WHO) announced an international public health emergency related to the COVID-19 outbreak. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The impact of the COVID-19 outbreak has resulted in economic uncertainties. The extent to which the Organization's financial results will be affected cannot be reasonably estimated at this time.

**19. 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, 2020 and 2019, no amounts have been accrued related to such indemnification provisions.

Schedule of Expenditures of Federal Awards

Family Services of the Merrimack Valley, Inc.

For the Year Ended September 30

2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amounts Provided to Subrecipients	Total Federal Expenditures
<b>Department of Justice:</b>				
Direct Funding:				
Juvenile Mentoring Program	16.726		\$ -	\$ 137,802
Passed-Through from the Commonwealth of Massachusetts - Office for Victim Assistance:				
Crime Victim Assistance	16.575	19VOCAVWA	-	43,991
Total Department of Justice			-	181,793
<b>Health and Human Services:</b>				
Direct Funding:				
Healthy Marriage Promotion and Responsible Fatherhood Grants				
Drug-Free Communities Support Program Grants	93.086		-	344,056
	93.276		-	105,095
Passed-Through from the Commonwealth of Massachusetts - Department of Public Health:				
Affordable Care Act (ACA) Personal Responsibility Education Program				
Pregnancy Assistance Fund Program	93.092	INTF3212M03170722013	-	108,062
	93.500	INTF3213MM3W17047037	-	136,846
Passed-Through from the Commonwealth of Massachusetts - Department of Children and Families:				
Promoting Safe and Stable Families	93.556	INTF0000009951920644	-	254,495
Total Health and Human Services			-	948,554
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,130,347</b>

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020

**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, 2020. 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 minimus indirect cost rate allowed under Uniform Guidance.





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

**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**

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, 2020, 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 March 11, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 more than 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.

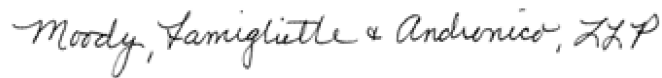
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we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

### **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.



Moody, Famiglietti & Andronico, LLP  
Tewksbury, Massachusetts  
March 11, 2021



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

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

**Report on Compliance for Each Major Federal Program**

We have audited Family Services of the Merrimack Valley, Inc. (the Organization) compliance with the types of compliance requirements described 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, 2020. The Organization'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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 Audits* (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 the Organization'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 the Organization's compliance.

***Opinion on Each Major Federal Program***

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, 2020.

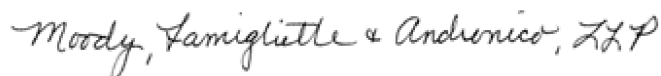
### **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a 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 the Organization'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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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.

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.



Moody, Famiglietti & Andronico, LLP  
Tewksbury, Massachusetts  
March 11, 2021

Year Ended September 30, 2020

**I. Summary of Independent Auditor's Report**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

Federal Awards

Internal control over major programs:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Types of auditor's 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  No

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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?  Yes  No

Year Ended September 30, 2020

**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 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, 2020

Prior Year Findings:

None



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