



FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

and

FEDERAL REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

June 30, 2022 and 2021

With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Lund Family Center, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lund Family Center, Inc. (Lund or the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lund as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Lund adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, Leases (*Topic 842*), and related guidance during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenues and expenses - residential program, and 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*, are presented for purposes of additional analysis and are 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 U.S. GAAS. 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 November 18, 2022 on our consideration of Lund'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lund's internal control over financial reporting and compliance.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 18, 2022
Registration No. 92-0000278

LUND FAMILY CENTER, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,773,199	\$ 2,700,068
Accounts and grants receivable	1,511,302	1,166,661
Contributions receivable	40,000	80,000
Prepaid expenses and other assets	<u>148,916</u>	<u>113,977</u>
Total current assets	5,473,417	4,060,706
Property and equipment, net	4,460,289	7,743,173
Right of use operating lease asset, net	1,846,049	-
Note receivable	466,008	-
Restricted cash	-	93,168
Investments	<u>1,933,927</u>	<u>2,383,778</u>
Total assets	<u>\$ 14,179,690</u>	<u>\$ 14,280,825</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt obligations	\$ 185,801	\$ 1,594,601
Accounts payable and accrued expenses	201,638	200,242
Accrued salaries and benefits	<u>283,161</u>	<u>544,212</u>
Total current liabilities	670,600	2,339,055
Long-term debt obligations, net of current portion and unamortized deferred financing costs	2,242,251	2,419,812
Right of use operating lease obligation	1,853,461	-
Interest rate swap agreement	<u>29,059</u>	<u>131,117</u>
Total liabilities	<u>4,795,371</u>	<u>4,889,984</u>
Net assets		
Net assets without donor restrictions	8,084,205	7,862,059
Net assets with donor restrictions	<u>1,300,114</u>	<u>1,528,782</u>
Total net assets	<u>9,384,319</u>	<u>9,390,841</u>
Total liabilities and net assets	<u>\$ 14,179,690</u>	<u>\$ 14,280,825</u>

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

LUND FAMILY CENTER, INC.

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Federal and state contracts and grants	\$ 7,987,219	\$ -	\$ 7,987,219	\$ 8,749,651	\$ -	\$ 8,749,651
Program service fees	334,443	-	334,443	277,124	-	277,124
Contributions and other grants	1,203,547	77,500	1,281,047	1,213,276	169,942	1,383,218
Special event income, net of related expenses	-	-	-	15,359	-	15,359
Miscellaneous	52,719	-	52,719	40,945	-	40,945
CARES Act funding - PPP loan forgiveness	-	-	-	1,750,000	-	1,750,000
Net assets released from restrictions	92,698	(92,698)	-	240,276	(240,276)	-
Total revenues and support	9,670,626	(15,198)	9,655,428	12,286,631	(70,334)	12,216,297
Expenses						
Program services						
Adoption	1,456,417	-	1,456,417	1,402,779	-	1,402,779
Child and family services	1,840,678	-	1,840,678	2,100,939	-	2,100,939
Residential and community treatment	3,982,354	-	3,982,354	4,439,337	-	4,439,337
Total program services	7,279,449	-	7,279,449	7,943,055	-	7,943,055
Supporting services						
General and administrative	1,673,143	-	1,673,143	1,610,606	-	1,610,606
Fundraising and development	259,839	-	259,839	261,159	-	261,159
Total supporting services	1,932,982	-	1,932,982	1,871,765	-	1,871,765
Total expenses	9,212,431	-	9,212,431	9,814,820	-	9,814,820
Change in net assets from operations	458,195	(15,198)	442,997	2,471,811	(70,334)	2,401,477
Other gains (losses)						
Contributions for long-term purposes	-	2,000	2,000	-	356,949	356,949
Net investment return	(232,430)	(215,470)	(447,900)	235,111	207,717	442,828
Change in value of interest rate swap agreement	102,059	-	102,059	87,417	-	87,417
Loss from sale-leaseback and disposal of assets	(105,678)	-	(105,678)	-	-	-
Net other gains (losses)	(236,049)	(213,470)	(449,519)	322,528	564,666	887,194
Change in net assets	222,146	(228,668)	(6,522)	2,794,339	494,332	3,288,671
Net assets, beginning of year	7,862,059	1,528,782	9,390,841	5,067,720	1,034,450	6,102,170
Net assets, end of year	\$ 8,084,205	\$ 1,300,114	\$ 9,384,319	\$ 7,862,059	\$ 1,528,782	\$ 9,390,841

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

LUND FAMILY CENTER, INC.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Supporting Services			
	Adoption	Child and Family Services	Residential and Community Treatment	Total Program	General and Administrative	Fundraising and Development	Total Supporting Services	Total
Expenses								
Salaries and wages	\$ 981,739	\$1,132,777	\$2,507,212	\$ 4,621,728	\$ 978,187	\$ 150,989	\$ 1,129,176	\$ 5,750,904
Payroll taxes and benefits	<u>254,627</u>	<u>286,637</u>	<u>636,613</u>	<u>1,177,877</u>	<u>330,664</u>	<u>39,712</u>	<u>370,376</u>	<u>1,548,253</u>
	<u>1,236,366</u>	<u>1,419,414</u>	<u>3,143,825</u>	<u>5,799,605</u>	<u>1,308,851</u>	<u>190,701</u>	<u>1,499,552</u>	<u>7,299,157</u>
Audit and legal	-	5,259	-	5,259	46,558	-	46,558	51,817
Dues and fees	44,405	13,056	2,844	60,305	10,621	2,991	13,612	73,917
Equipment	15,475	4,409	26,853	46,737	1,825	235	2,060	48,797
Facilities	14,867	69,337	126,587	210,791	58,523	1,688	60,211	271,002
Insurance	5,087	18,972	38,336	62,395	23,508	1,307	24,815	87,210
Interest	13,735	52,302	134,167	200,204	17,940	3,528	21,468	221,672
Other expenses	416	2,643	813	3,872	2,968	3,698	6,666	10,538
Other professional fees	39,430	88,452	49,989	177,871	116,079	29,803	145,882	323,753
Participant assistance	10,305	27,161	52,771	90,237	3	-	3	90,240
Postage	8,353	871	1,092	10,316	1,238	1,801	3,039	13,355
Printing and advertising	63	2	133	198	187	12,330	12,517	12,715
Supplies	4,535	36,846	148,693	190,074	36,719	5,057	41,776	231,850
Telephone	10,009	13,110	28,624	51,743	10,777	1,139	11,916	63,659
Travel	<u>31,783</u>	<u>7,886</u>	<u>20,881</u>	<u>60,550</u>	<u>3,115</u>	<u>16</u>	<u>3,131</u>	<u>63,681</u>
	198,463	340,306	631,783	1,170,552	330,061	63,593	393,654	1,564,206
Depreciation	<u>21,588</u>	<u>80,958</u>	<u>206,746</u>	<u>309,292</u>	<u>34,231</u>	<u>5,545</u>	<u>39,776</u>	<u>349,068</u>
	<u>220,051</u>	<u>421,264</u>	<u>838,529</u>	<u>1,479,844</u>	<u>364,292</u>	<u>69,138</u>	<u>433,430</u>	<u>1,913,274</u>
Total expenses	<u>\$1,456,417</u>	<u>\$1,840,678</u>	<u>\$3,982,354</u>	<u>\$ 7,279,449</u>	<u>\$ 1,673,143</u>	<u>\$ 259,839</u>	<u>\$ 1,932,982</u>	<u>\$ 9,212,431</u>

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

LUND FAMILY CENTER, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services				Supporting Services			
	Adoption	Child and Family Services	Residential and Community Treatment	Total Program	General and Administrative	Fundraising and Development	Total Supporting Services	Total
Expenses								
Salaries and wages	\$ 937,870	\$1,357,964	\$2,833,670	\$ 5,129,504	\$ 859,596	\$ 149,427	\$ 1,009,023	\$ 6,138,527
Payroll taxes and benefits	<u>243,608</u>	<u>342,901</u>	<u>715,424</u>	<u>1,301,933</u>	<u>294,919</u>	<u>38,117</u>	<u>333,036</u>	<u>1,634,969</u>
	<u>1,181,478</u>	<u>1,700,865</u>	<u>3,549,094</u>	<u>6,431,437</u>	<u>1,154,515</u>	<u>187,544</u>	<u>1,342,059</u>	<u>7,773,496</u>
Audit and legal	-	11,250	-	11,250	43,549	-	43,549	54,799
Dues and fees	45,187	10,626	2,865	58,678	10,183	2,388	12,571	71,249
Equipment	15,060	3,871	33,980	52,911	1,677	319	1,996	54,907
Facilities	12,564	55,660	141,900	210,124	43,059	-	43,059	253,183
Insurance	4,782	17,540	37,939	60,261	18,220	2,474	20,694	80,955
Interest	13,083	49,329	133,785	196,197	14,504	6,770	21,274	217,471
Other expenses	1,675	1,511	728	3,914	3,401	25	3,426	7,340
Other professional fees	39,135	78,715	24,946	142,796	240,887	35,395	276,282	419,078
Participant assistance	25,441	25,827	75,342	126,610	95	-	95	126,705
Postage	7,254	189	827	8,270	603	2,242	2,845	11,115
Printing and advertising	-	-	-	-	-	8,073	8,073	8,073
Supplies	8,689	41,747	202,661	253,097	40,061	2,007	42,068	295,165
Telephone	8,228	7,692	13,650	29,570	6,936	898	7,834	37,404
Travel	<u>15,086</u>	<u>5,805</u>	<u>30,975</u>	<u>51,866</u>	<u>278</u>	<u>27</u>	<u>305</u>	<u>52,171</u>
	196,184	309,762	699,598	1,205,544	423,453	60,618	484,071	1,689,615
Depreciation	<u>25,117</u>	<u>90,312</u>	<u>190,645</u>	<u>306,074</u>	<u>32,638</u>	<u>12,997</u>	<u>45,635</u>	<u>351,709</u>
	<u>221,301</u>	<u>400,074</u>	<u>890,243</u>	<u>1,511,618</u>	<u>456,091</u>	<u>73,615</u>	<u>529,706</u>	<u>2,041,324</u>
Total expenses	<u>\$1,402,779</u>	<u>\$2,100,939</u>	<u>\$4,439,337</u>	<u>\$ 7,943,055</u>	<u>\$ 1,610,606</u>	<u>\$ 261,159</u>	<u>\$ 1,871,765</u>	<u>\$ 9,814,820</u>

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

LUND FAMILY CENTER, INC.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (6,522)	\$ 3,288,671
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	356,936	359,577
Unrealized and realized loss (gain) on investments	469,346	(424,796)
Contributions restricted for long-term purposes	(2,000)	(356,949)
Change in fair value of interest rate swap agreement	(102,059)	(87,417)
Loss from sale-leaseback and disposal of assets	105,678	-
Changes in operating assets and liabilities		
Accounts and grants receivable	(344,641)	(54,894)
Contributions receivable	40,000	18,250
Prepaid assets	(34,939)	(39,842)
ROU operating asset	10,293	-
Accounts payable and accrued expenses	1,396	(65,292)
Accrued salaries and benefits	(261,051)	(92,546)
Refundable advance	-	(1,750,000)
Deferred revenue	-	(31,055)
Lease obligation - operating	<u>(2,881)</u>	<u>-</u>
Net cash provided by operating activities	<u>229,556</u>	<u>763,707</u>
Cash flows from investing activities		
Purchases of investments	(497,202)	(1,471,362)
Proceeds from sale of investments	477,707	946,381
Acquisition of property and equipment	(163,590)	(182,125)
Proceeds from sale of property and equipment	<u>1,140,808</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>957,723</u>	<u>(707,106)</u>
Cash flows from financing activities		
Receipt of contributions restricted by donors for long-term purposes	2,000	356,949
Principal payments on long-term debt obligations	<u>(209,316)</u>	<u>(210,318)</u>
Net cash (used) provided by financing activities	<u>(207,316)</u>	<u>146,631</u>
Net increase in cash, cash equivalents and restricted cash	979,963	203,232
Cash, cash equivalents and restricted cash, beginning of year	<u>2,793,236</u>	<u>2,590,004</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 3,773,199</u>	<u>\$ 2,793,236</u>
Breakdown of total cash, cash equivalents and restricted cash		
Cash and cash equivalents	\$ 3,773,199	\$ 2,700,068
Restricted cash	<u>-</u>	<u>93,168</u>
	<u>\$ 3,773,199</u>	<u>\$ 2,793,236</u>

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

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Organization

Lund Family Center, Inc. (Lund or the Organization) is a multi-program family service agency, working primarily with pregnant and parenting teens and women, families with young children, adoptive families, birth parents, and adoptees, located in Burlington, Vermont. Lund's mission is to help children thrive by empowering families to break cycles of poverty, addiction, and abuse.

1. Summary of Significant Accounting Policies

Newly Adopted Accounting Principle

In 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) and related guidance. The new standard increases transparency and comparability among organizations by recognizing lease assets and lease liabilities in the statement of financial position and disclosing key information about leasing arrangements. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous U.S. generally accepted accounting principles (U.S. GAAP), which did not require lease assets and lease liabilities to be recognized for many leases. The Organization adopted the new ASU using the modified retrospective approach. The Organization elected the "package of practical expedients," an option which permits it to not reassess prior conclusions about lease identification, lease classification and initial direct costs under the new standard.

Results for June 30, 2022 are presented under the new standard, while financial statements as of and for the year ended June 30, 2021 and prior periods have not been changed and continue to reflect the lease accounting standards in effect during those periods as the adoption of the pronouncement and related guidance did not have a material impact on the financial statements of the Organization for the year ended June 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting and Presentation

The financial statements of Lund have been prepared in accordance with U.S. GAAP, which requires Lund to report information regarding to its financial position and activities according to the following net asset classification:

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 Lund. These net assets may be used at the discretion of management and the Board of Trustees.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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 Lund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

All contributions are considered to be available for operational 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 donor restricted support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same year as received are reflected as net assets without donor restrictions in the accompanying financial statements.

Lund reports contributions of property or equipment as support without donor restrictions, unless a donor places explicit restriction on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support and reclassified to net assets without donor restrictions when the assets are acquired and placed in service.

Unconditional contributions are recognized as contributions receivable at their net present value when pledged. At June 30, 2022 and 2021, substantially all contributions receivable are expected to be collected within one year.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding investments.

Lund has cash deposits in major financial institutions which may exceed federal depository insurance limits. Lund has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk with respect to these accounts.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Lund provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of accounts. Management considers the following factors when determining the collectability of specific accounts: creditworthiness, past transaction history, current economic industry trends, and changes to payment terms. If the financial condition of Lund's customers or grantors were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Based on management's assessment, no allowance was required at June 30, 2022 and 2021. Accounts and grants receivable amounted to \$1,511,302, \$1,166,661 and \$1,111,767 for the years ended June 30, 2022, 2021 and 2020, respectively.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Note Receivable

The Organization has a note receivable due from a third party in the amount of \$466,008. The entire principal balance of the note is due upon maturity in June 2032. The note bears interest at 6% annually and monthly payments of interest only are due on the first day of each month. The note receivable is stated at the amount management expects to collect from outstanding balances and is secured by the joint and several personal guarantees of two principals from the third party.

Restricted Cash

Restricted cash in 2021 represents amounts required to be reserved by a long-term debt agreement between Lund and a third party. There is no restricted cash in 2022 as a result of repayment of the long-term debt.

Property and Equipment

Property and equipment are carried at cost, if purchased, or at estimated fair value at date of donation in the case of gifts, less accumulated depreciation. Lund's policy is to capitalize assets greater than \$5,000, while minor maintenance and repairs are charged to expense as incurred. Depreciation is recorded using the straight-line method over the following estimated lives as follows:

Furniture and equipment	5-10 years
Buildings and improvements	5-40 years
Vehicles	5 years

Leases

At the inception of an arrangement, the Organization determines if an arrangement is or contains a lease based on the unique facts and circumstances present in that arrangement. Lease classification, recognition, and measurement are then determined as of the lease commencement date. For arrangements that contain a lease, the Organization (i) identifies lease and non-lease components, (ii) determines the consideration in the contract, (iii) determines whether the lease is an operating or financing lease, and (iv) recognizes a lease right of use (ROU) asset and liability. Lease obligations and their corresponding ROU assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the Organization uses its incremental borrowing rate based on the information available at the lease commencement date, a rate which represents one that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Some leases include options to renew and/or terminate the lease, which can impact the lease term. The exercise of these options is at the Organization's discretion and the Organization does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

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Fixed, or in-substance fixed, lease payments on operating leases are recognized over the expected term of the lease on a straight-line basis, while fixed, or in-substance fixed, payments on financing leases are recognized using the effective interest method. Variable lease expenses that are not considered fixed, or in-substance fixed, are recognized as incurred. Fixed and variable lease expense on operating leases is recognized within operating expenses in the statement of activities. Financing lease ROU asset amortization and interest costs are recorded within depreciation, amortization and interest in the statement of activities. The Organization has elected the short-term lease exemption and, therefore, does not recognize a ROU asset or corresponding liability for lease arrangements with an original term of 12 months or less.

The operating lease is included in the ROU asset and lease obligations in the Organization's statement of financial position as of June 30, 2022. The Organization evaluated existing operating leases and determined the impact of adoption to the balance sheet was not material at July 1, 2020.

Revenue Recognition

Medicaid and client resources revenue is reported at the estimated net realizable amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client services. These amounts are due from third-party payors (including health insurers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills third-party payors several days after services are provided. Revenue is recognized as performance obligations are satisfied. It is the Organization's expectation that the period between the time the service is provided to a client and the time a third-party payor pays for that service will be one year or less.

Under the Organization's contractual arrangements with the Vermont Department of Health and Human Services (DHHS) and the State of Vermont Treasurer's Office (Treasurer's Office), the Organization provides services to clients for an agreed upon fee. The Organization recognizes revenue for client services in accordance with the provisions of FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied over time when services are provided. The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client, which is generally at the time of DHHS and the Treasurer's Office notification to the Organization. Total revenue recognized over time for the years ended June 30, 2022, 2021 and 2020 was \$5,683,765, \$6,142,016 and \$6,307,984, respectively. Revenue for performance obligations related to services around finalization of adoptions which are satisfied at a point in time are based upon the stated contract price for the agreed upon performance obligation and were \$415,408, \$478,828 and \$505,112, respectively for the years ended June 30, 2022, 2021 and 2020.

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Each performance obligation is separately identifiable from other promises in the contract with the client and DHHS and the Treasurer's Office. As the performance obligations are met, revenue is recognized based upon allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative stand-alone selling price.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Investments

Investments in marketable securities and debt instruments with readily determined market values are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Dividends, interest, and net realized and unrealized gains (losses) arising from investments are reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift require that they be maintained with the corpus of a donor restricted endowment fund;
- Increases (decreases) in net assets with donor restrictions if the terms of the gift or state law imposes restrictions on the use of the allocated investment income; and
- Increases (decreases) in net assets without donor restrictions in all other cases.

Deferred Financing Costs

Financing costs are capitalized and amortized using the straight-line method over the term of the related long-term debt obligations. These costs are included in long-term debt obligations in the statements of financial position.

Functional Allocation of Expenses

Lund expenses are presented on a functional basis, showing basic program services and support services. Lund allocates expenses based on the organizational cost centers in which expenses are incurred. In certain instances, expenses are allocated between support functions and program services based on an analysis of personnel time and space utilized for the related services.

Income Taxes

Lund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income tax incurred by Lund for the years ended June 30, 2022 and 2021. Management has evaluated Lund's tax positions and concluded Lund has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to, or disclosure within, the accompanying financial statements.

LUND FAMILY CENTER, INC.

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Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, Lund has considered transactions or events occurring through November 18, 2022, which is the date the financial statements were available to be issued.

2. Availability and Liquidity of Financial Assets

Lund regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize its available funds. Lund has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Lund considers all expenditures related to its ongoing operating activities as well as the conduct of services undertaken to support those operating activities.

In addition to financial assets available to meet general expenditures over the next 12 months, Lund operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor-restricted resources or, where appropriate, borrowings. Refer to the statements of cash flows, which identify the sources and uses of Lund's cash, cash equivalents and restricted.

The following financial assets are expected to be available within one year of the statement of financial position date to meet general expenditures as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents available for operations	\$ 3,701,663	\$ 2,623,334
Accounts and grants receivable available for operations	<u>1,511,302</u>	<u>1,166,661</u>
Financial assets available at year end for general expenditures	<u>\$ 5,212,965</u>	<u>\$ 3,789,995</u>

Cash and cash equivalents in the statement of financial position includes amounts that are donor restricted for specific purposes and thus are excluded from the above table.

Lund's Board of Trustees has designated a portion of its resources without donor-imposed restrictions to act as endowment funds. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees. Such assets are excluded from the table above.

LUND FAMILY CENTER, INC.

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June 30, 2022 and 2021

3. Property and Equipment

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 233,177	\$ 233,177
Buildings and improvements	6,345,853	10,316,913
Furniture and equipment	272,314	253,462
Vehicles	<u>132,042</u>	<u>132,042</u>
	6,983,386	10,935,594
Less accumulated depreciation	<u>2,523,097</u>	<u>3,192,421</u>
Property and equipment, net	<u>\$ 4,460,289</u>	<u>\$ 7,743,173</u>

4. Investments

Investments consist of the following marketable securities:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 26,057	\$ 20,919
Exchange traded funds	601,731	1,036,828
Equities	821,826	1,137,328
Mutual funds	152,434	188,703
Fixed income	<u>331,879</u>	<u>-</u>
	<u>\$ 1,933,927</u>	<u>\$ 2,383,778</u>

Lund's investments are subject to various risks, such as interest rate, credit and overall market volatility, which may substantially impact the values of investments at any given time.

5. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants and also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

The fair value hierarchy within ASC Topic 820 distinguishes three levels of inputs that may be utilized when measuring fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Cash and cash equivalents	\$ 26,057	\$ -	\$ 26,057
Exchange traded funds	601,731	-	601,731
Equities	821,826	-	821,826
Mutual funds	152,434	-	152,434
Fixed income	-	331,879	331,879
Total investments	<u>\$ 1,602,048</u>	<u>\$ 331,879</u>	<u>\$ 1,933,927</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 29,059</u>	<u>\$ 29,059</u>

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Cash and cash equivalents	\$ 20,919	\$ -	\$ 20,919
Exchange traded funds	1,036,828	-	1,036,828
Equities	1,137,328	-	1,137,328
Mutual funds	188,703	-	188,703
Total investments	<u>\$ 2,383,778</u>	<u>\$ -</u>	<u>\$ 2,383,778</u>
Interest rate swap agreement	<u>\$ -</u>	<u>\$ 131,117</u>	<u>\$ 131,117</u>

The fair value of the interest rate swap agreement from the 2007E Bonds was based on mid-market benchmark levels of swap transactions with terms substantially similar to those of Lund's swap transactions and using inputs including the London Interbank Offered Rate (LIBOR) swap curve as of the close of business June 30 and the economic terms of the swap agreement. During the years ended June 30, 2022 and 2021, there have been no changes in valuation techniques, the variable rate as outlined in the 2007E Bond, or the fixed interest rate of the swap agreement.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

6. Sale-leaseback, ROU Asset and Lease Obligation

On June 9, 2022, Lund executed a purchase and sale agreement with a third party to sell the property at 50 Joy Drive in South Burlington, Vermont for \$3,100,000 and Lund will lease the property back from the buyer. Proceeds from the transaction were used to payoff Lund's note payable with M&T Bank (formerly People's United Bank) as well as cover fees associated with closing. As part of the agreement, Lund financed \$466,008 and has recorded a note receivable on the statement of financial position which represents the amount due from the third party in June 2032. The note bears interest at 6% annually and monthly payments of interest only are due on the first day of each month. The entire principal balance of the note is due upon maturity in June 2032. The sale-leaseback transaction resulted in a net loss totaling \$105,678 which includes the loss on disposal of assets of \$6,388.

In June 2022, the Organization entered into an operating lease for space in South Burlington, Vermont. The original cost basis of the space is \$1,856,342. Accumulated depreciation includes \$10,293 as of June 30, 2022 for the leased building. The lease calls for monthly payments ranging from \$20,667 to \$24,699 through June 2032. Upon expiration of the initial lease term, the lease will automatically extend for consecutive one-year terms unless Lund submits a written notice of termination. Lund has not considered the lease extensions in determining the ROU asset and lease obligation, they are calculated using the initial lease term of ten years. Interest has been imputed on the operating lease at 8% annually calculated monthly. Total operating leases costs for the year ended June 30, 2022 were \$22,568 and are included within facilities in the statement of functional expenses.

The future maturities of the lease obligation - operating are as follows:

2023	\$ 248,000
2024	252,960
2025	258,019
2026	263,180
2027	268,443
Thereafter	<u>1,424,929</u>
	2,715,531
Less imputed interest expense	<u>(862,070)</u>
Lease obligation - operating	<u>\$ 1,853,461</u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

7. Long-Term Debt Obligations

Lund had the following long-term debt obligations:

	<u>2022</u>	<u>2021</u>
Note payable to M&T Bank, monthly principal and interest payments of \$10,618. As described in Note 6, the Organization entered into a sale-leaseback transaction in June 2022 and the note was paid off as a result of the transaction.	\$ -	1,418,329
Vermont Economic Development Authority (VEDA) Series 2007D bonds held by TD Bank; payable in monthly principal and interest installments of \$5,668, due April 2025. Interest is based on a variable rate of 69% of the total of the Federal Home Loan Bank of Boston (FHLBB) Five Year Advance Rate plus 2.175% (3.624% at June 30, 2022). At the date of maturity, Lund may extend the bonds for one additional five year term; collateralized by specific real estate.	461,462	511,390
VEDA Series 2007E bonds held by TD Bank; payable in monthly installments ranging from \$9,612 to \$20,876 through May 2033. The bonds bear a variable interest rate at 69% of the total of the thirty-day LIBOR plus 2.175% through January 2023 (2.233% at June 30, 2022). Thereafter, interest is adjusted February 2023 and 2028, to be 69% of the total of the FHLBB Five Year Advance Rate plus 2.175%; collateralized by specific real estate.	<u>1,989,098</u>	<u>2,115,070</u>
	2,450,560	4,044,789
Less current portion	185,801	1,594,601
Less unamortized deferred financing costs	<u>22,508</u>	<u>30,376</u>
Long-term debt obligations, net of current portion and unamortized deferred financing costs	<u>\$ 2,242,251</u>	<u>\$ 2,419,812</u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

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Maturities of long-term debt are as follows:

2023	\$ 185,801
2024	196,247
2025	207,382
2026	219,140
2027	231,593
Thereafter	<u>1,410,397</u>
Total	\$ <u>2,450,560</u>

Interest expense charged to operations, including amortization of financing costs of \$7,868, was \$221,672 and \$217,471 during the years ended June 30, 2022 and 2021, respectively. Cash paid for interest approximated interest expense in 2022 and 2021.

Under the terms of the VEDA bonds, Lund is required to maintain financial covenants. As of June 30, 2022 and 2021, Lund complied with the covenants under the VEDA bonds.

8. Interest Rate Swap Agreement

Lund is exposed to interest rate risk relating to its ongoing business operations. Interest rate risk is managed by using derivative instruments.

In connection with the issuance of the VEDA 2007E bonds, Lund entered into an interest rate swap agreement with a notional amount of \$1,960,262 and \$2,086,234 in 2022 and 2021, respectively, that effectively converted the variable rate on the VEDA 2007E bonds to a fixed rate through February 2023. Under the swap agreement, Lund pays interest at a fixed rate of 6.2% and receives an interest payment at the variable rate on the VEDA 2007E bonds.

The derivative instrument is designated to qualify as a cash flow hedge, with the change in the value of the derivative reflected in the statement of activities and changes in net assets as a component of other gains (losses). The carrying amount of the swap was adjusted to fair value at year-end, which resulted in a liability of \$29,059 and \$131,117 as of June 30, 2022 and 2021, respectively.

9. Net Assets

Net assets without donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 7,308,856	\$ 6,850,329
Board-designated endowment funds	<u>775,349</u>	<u>1,011,730</u>
	\$ <u>8,084,205</u>	\$ <u>7,862,059</u>

LUND FAMILY CENTER, INC.

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Net assets with donor restrictions were as follows:

	<u>2022</u>	<u>2021</u>
Funds maintained in perpetuity:		
Income to support general operations	\$ <u>1,022,337</u>	\$ <u>1,020,337</u>
Funds maintained with donor restrictions temporary in nature:		
Accumulated earnings on funds maintained in perpetuity	136,241	351,711
Other restrictions		
Technology	19,713	20,969
Adoption	51,823	55,765
Time restriction	<u>70,000</u>	<u>80,000</u>
Total funds maintained with donor restrictions temporary in nature	<u>277,777</u>	<u>508,445</u>
Total net assets with donor restrictions	\$ <u>1,300,114</u>	\$ <u>1,528,782</u>

10. Endowment

Lund's endowment primarily consists of funds established for certain programs provided by Lund. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Lund has interpreted the State of Vermont Uniform Prudent Management of Institutional Funds Act (the Act) as allowing Lund to spend or accumulate the amount of an endowment fund that Lund determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. As a result of this interpretation, Lund has included in net assets with perpetual donor restrictions (1) the original value of gifts donated to be maintained in perpetuity; (2) the original value of subsequent gifts to be maintained in perpetuity; and (3) the accumulation to the gifts to be maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' contributed value, that excess is included in net assets with donor restrictions until appropriated by the Board of Trustees and, if applicable, expended in accordance with the donors' restrictions. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

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In accordance with the Act, Lund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of Lund and the donor-restricted endowment fund;
- (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 Lund; and
- (7) The investment policies of Lund.

Return Objectives and Risk Parameters

Lund has adopted investment policies, approved by the Board of Trustees, for endowment assets that attempt to maintain the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of accumulated interest and dividend income to be reinvested or used as needed, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce the exposure of the fund to unacceptable levels of risk.

Spending Policy

Lund and its Board of Trustees implemented a policy to forgo appropriations from its endowment funds with a goal to grow the endowment to a level of \$3,000,000. At that point, the Board is to evaluate the feasibility and amount of any regular appropriations to be taken. Any appropriations of board-designated endowment funds are approved by the Board of Trustees.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires Lund to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor-imposed restrictions to be maintained in perpetuity and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Lund has a policy that permits spending from underwater endowment funds, unless specifically prohibited by the donor or relevant laws and regulations. Any deficiencies are reported in net assets with donor-imposed restrictions. There were no deficiencies of this nature as of June 30, 2022 and 2021.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2022 and 2021

Endowment Composition and Changes in Endowment

The endowment net asset composition by type of fund as of June 30, 2022 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,158,578	\$ 1,158,578
Board-designated endowment funds	<u>775,349</u>	<u>-</u>	<u>775,349</u>
	\$ <u>775,349</u>	\$ <u>1,158,578</u>	\$ <u>1,933,927</u>

The changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 1,011,730	\$ 1,372,048	\$ 2,383,778
Contributions	2,436	2,000	4,436
Investment losses	<u>(238,817)</u>	<u>(215,470)</u>	<u>(454,287)</u>
Endowment net assets, June 30, 2022	\$ <u>775,349</u>	\$ <u>1,158,578</u>	\$ <u>1,933,927</u>

The endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,372,048	\$ 1,372,048
Board-designated endowment funds	<u>1,011,730</u>	<u>-</u>	<u>1,011,730</u>
	\$ <u>1,011,730</u>	\$ <u>1,372,048</u>	\$ <u>2,383,778</u>

The changes in endowment net assets for the year ended June 30, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 626,619	\$ 807,382	\$ 1,434,001
Contributions	-	356,949	356,949
Transfer from undesignated net assets	150,000	-	150,000
Investment return	<u>235,111</u>	<u>207,717</u>	<u>442,828</u>
Endowment net assets, June 30, 2021	\$ <u>1,011,730</u>	\$ <u>1,372,048</u>	\$ <u>2,383,778</u>

LUND FAMILY CENTER, INC.

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June 30, 2022 and 2021

11. Significant Concentration

Lund's primary revenue sources are contracts with the State of Vermont and funding by federal and state grants, which collectively account for approximately 83% and 72% of total revenue for the years ended June 30, 2022 and 2021, respectively.

12. Retirement Plans

Lund sponsors a tax sheltered defined contribution annuity plan (the Plan) under the provisions of Section 403(b) of the Internal Revenue Code. The Plan covers substantially all employees who meet certain minimum eligibility requirements. Lund contributes to the Plan on a discretionary basis. During the years ended June 30, 2022 and 2021, total contributions to the Plan were \$67,079 and \$69,490, respectively.

13. Statement of Cash Flows Information

The Organization had the following noncash activity for the year ended June 30, 2022:

Right to use asset acquired through lease obligation	\$ <u>1,856,342</u>
Repayment of note payable to People's United Bank as part of the sale-leaseback of Joy Drive	\$ <u>1,384,913</u>
Seller financing note receivable related to the sale-leaseback of Joy Drive	\$ <u>466,008</u>

14. Uncertainty and Relief Funding

On March 11, 2020, the World Health Organization declared coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group gatherings. Most sectors are experiencing disruption to business operations and may feel further impacts related to delayed government reimbursement. The Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 and Coronavirus Response and Relief Supplemental Appropriations Act of 2021 provided several relief measures to allow flexibility to providers to deliver critical care. There is unprecedented uncertainty surrounding the duration of the pandemic, its continued economic ramifications, and additional government actions to mitigate them. Accordingly, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

The U.S government has enacted three statutes into law to address the economic impact of the COVID-19 outbreak: the first on March 27, 2020, called the CARES Act; the second on December 27, 2020, called the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and the third on March 11, 2021 called the American Rescue Plan Act (ARPA). The CARES Act, CRRSAA and ARPA, among other things, 1) authorized emergency loans to distressed businesses by establishing, and providing funding for, forgivable bridge loans; 2) provided additional funding for grants and technical assistance; 3) delayed due dates for employer payroll taxes and estimated tax payments for organizations; and 4) revised provisions of the Code,

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including those related to losses, charitable deductions, and business interest. Management has evaluated the impact of these statutes on the Organization, including their potential benefits and limitations that may result from additional funding.

During 2020, Lund obtained \$1,750,000 under the CARES Act Paycheck Protection Program (PPP). The PPP has specific criteria for eligibility and provides for forgiveness of the funds under this program if the Organization meets certain requirements. Any portion of the funds that are not forgiven is to be repaid within 5 years at a 1% interest rate. In December 2020, Lund received notice from the Small Business Administration (SBA) that the PPP funds obtained were fully forgiven and reported on the statement of activities and changes in net assets as CARES Act funding during 2021. The PPP funding is subject to audit from the SBA for six years from the date of notification.

During 2021, the Organization was awarded \$348,127 from the federal Coronavirus Relief Funds which was passed through the State of Vermont. As of June 30, 2021, the Organization had recognized the full amount in revenue which was included in federal and state contracts and grants in the statement of activities and changes in net assets.

The CARES Act also established the Provider Relief Funds (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services. The Organization received PRF in the amount of \$56,106 during the year ended June 30, 2022. These funds are to be used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF are recognized as income when qualifying expenditures have been incurred, or lost revenues have been identified. Management believes the Organization has met the conditions necessary to recognize the PRF funds included in federal and state contracts and grants in the statement of activities and changes in net assets for the year ended June 30, 2022.

During 2022, the Organization recognized \$40,768 in ARPA Child Care Stabilization Sub-grants. The revenue is included with federal and state contracts and grants in the statement of activities and changes in net assets.

SUPPLEMENTARY INFORMATION
AND
REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

LUND FAMILY CENTER, INC.

Schedule of Revenues and Expenses - Residential Program

Year Ended June 30, 2022

	<u>Residential</u>	<u>School</u>	<u>Total</u>
Revenues			
Government contracts	\$ 2,137,190	\$ 97,430	\$ 2,234,620
Government grants	-	88,707	88,707
Contributions	50	-	50
Extraordinary financial relief *	1,483,502	-	1,483,502
Other	<u>6,670</u>	<u>-</u>	<u>6,670</u>
	<u>3,627,412</u>	<u>186,137</u>	<u>3,813,549</u>
Expenses			
Salaries and wages	1,672,935	124,397	1,797,332
Payroll taxes and benefits	431,147	32,163	463,310
Supplies	128,730	1,794	130,524
Family assistance	47,190	-	47,190
Occupancy	519,198	63,234	582,432
Travel	12,994	206	13,200
Equipment repairs and maintenance	6,357	-	6,357
Telephone	2,088	925	3,013
Staff development and training	9,609	3,246	12,855
Contracts and services	28,396	-	28,396
Postage	171	-	171
Agency costs	640,405	50,812	691,217
Other	<u>812</u>	<u>-</u>	<u>812</u>
	<u>3,500,032</u>	<u>276,777</u>	<u>3,776,809</u>
	127,380	(90,640)	36,740
Less extraordinary financial relief related to fiscal year 2021 *	<u>(168,864)</u>	<u>-</u>	<u>(168,864)</u>
	\$ <u>(41,484)</u>	\$ <u>(90,640)</u>	\$ <u>(132,124)</u>

* Extraordinary financial relief was recognized in 2022 for the 18 month period from January 2021 to June 2022. Of the amount recognized, \$168,864 related to the Organization's fiscal year 2021.

LUND FAMILY CENTER, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor/Agreement Number	Federal Expenditures
<u>United States Department of Agriculture:</u>			
<i><u>Pass-through:</u></i>			
<i><u>Vermont Agency of Agriculture, Food & Markets:</u></i>			
Child and Adult Care Food Program	10.558	R114(c)	\$ <u>35,233</u>
<u>United States Department of Housing and Urban Development:</u>			
<i><u>Pass-through:</u></i>			
<i><u>City of Burlington:</u></i>			
Community Development Block Grants/Entitlement Grants	14.218	n/a	<u>6,755</u>
<u>United States Department of Health and Human Services:</u>			
<i><u>Direct:</u></i>			
Enhance Safety of Children Affected by Substance Abuse	93.087		<u>300,437</u>
<i><u>Pass-through:</u></i>			
<i><u>Vermont Department of Health:</u></i>			
Child Care and Development Block Grant	93.575	03440-CRSSA00705	<u>22,717</u>
Promoting Safe and Stable Families Program	93.556	03440-28475- PROJFAM_FY22	<u>227,249</u>
Adoption Assistance	93.556	03440-28466-LUND- FY22	<u>15,000</u>
Total AL 93.556			<u>242,249</u>
Community-Based Child Abuse Prevention Grants	93.590	03440-32307-22-LUND	<u>12,000</u>
Adoption Assistance	93.659	03440-28466-LUND- FY22	<u>24,000</u>
Grants to States for Access and Visitation Programs	93.597	03440-28489-LUND-AV- FY22	<u>8,200</u>
Adoption Incentive Payments	93.603	03440-28475- PROJFAM_FY22	<u>87,200</u>
<i><u>Medicaid Cluster:</u></i>			
Medical Assistance Program	93.778	03440-39014-19-SFG	<u>22,588</u>
Medical Assistance Program	93.778	03440-32307-22-LUND	<u>19,782</u>
Total AL 93.778 and total Medicaid Cluster			<u>42,370</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-08937	<u>94,567</u>
Total United States Department of Health and Human Services			<u>833,740</u>
Total Expenditures of Federal Awards			\$ <u>875,728</u>

See accompanying notes to the schedule of expenditures of federal awards.

LUND FAMILY CENTER, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lund Family Center, Inc. (Lund) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lund, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of Lund.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Lund has elected not to use the 10% de minimis indirect cost rate.



**INDEPENDENT AUDITOR'S 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**

Board of Trustees
Lund Family Center, Inc.

We have audited, in accordance with U.S. generally accepted auditing standards 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 Lund Family Center, Inc. (Lund), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, 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 November 18, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lund'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 Lund's internal control. Accordingly, we do not express an opinion on the effectiveness of Lund'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 Lund'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lund'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 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*.

Board of Trustees
Lund Family Center, Inc.

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 Lund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 18, 2022
Registration No. 92-0000278



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Lund Family Center, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Lund Family Center, Inc.'s (Lund) compliance with the types of compliance requirements described in the Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on THE major federal program for the year ended June 30, 2022. Lund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Lund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Lund's major federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lund's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Lund's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Lund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a major 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 compliance requirement of a major 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.

Board of Trustees
Lund Family Center, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 18, 2022
Registration No. 92-0000278

LUND FAMILY CENTER, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I. - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified not considered to be material weaknesses?

___ yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

___ yes X no

Identification of major programs:

AL Number

Name of Federal Program or Cluster

93.556

Promoting Safe and Stable Families Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II. - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards

None noted

Section III.- Findings and Questioned Costs for Federal Awards

None noted

LUND FAMILY CENTER, INC.

Summary Schedule of Prior Year Findings and Questioned Costs

Year Ended June 30, 2022

None