



FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

and

FEDERAL REPORTS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

June 30, 2023 and 2022

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), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets 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.

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 10, 2023 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 10, 2023
Registration No. 92-0000278

LUND FAMILY CENTER, INC.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,644,373	\$ 3,773,199
Accounts and grants receivable	1,280,058	1,511,302
Contributions receivable	50,000	40,000
Prepaid expenses and other assets	<u>101,018</u>	<u>148,916</u>
Total current assets	3,075,449	5,473,417
Property and equipment, net	4,360,167	4,460,289
Right of use operating lease asset, net	1,718,060	1,846,049
Note receivable	466,008	466,008
Assets limited as to use	<u>5,338,407</u>	<u>1,933,927</u>
Total assets	<u>\$ 14,958,091</u>	<u>\$ 14,179,690</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt obligations	\$ 202,396	\$ 185,801
Current portion of operating lease obligation	119,087	105,177
Accounts payable and accrued expenses	183,678	201,638
Accrued salaries and benefits	351,017	283,161
Deferred revenue	<u>19,137</u>	<u>-</u>
Total current liabilities	875,315	775,777
Long-term debt obligations, net of current portion and unamortized deferred financing costs	2,066,696	2,242,251
Operating lease obligation, net of current portion	1,629,197	1,748,284
Interest rate swap agreement	<u>-</u>	<u>29,059</u>
Total liabilities	<u>4,571,208</u>	<u>4,795,371</u>
Net assets		
Net assets without donor restrictions	8,991,422	8,084,205
Net assets with donor restrictions	<u>1,395,461</u>	<u>1,300,114</u>
Total net assets	<u>10,386,883</u>	<u>9,384,319</u>
Total liabilities and net assets	<u>\$ 14,958,091</u>	<u>\$ 14,179,690</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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Federal and state contracts and grants	\$ 8,969,646	\$ -	\$ 8,969,646	\$ 7,987,219	\$ -	\$ 7,987,219
Program service fees	380,221	-	380,221	334,443	-	334,443
Contributions and other grants	1,132,543	135,000	1,267,543	1,203,547	77,500	1,281,047
Miscellaneous	45,941	-	45,941	52,719	-	52,719
Net assets released from restrictions	167,500	(167,500)	-	92,698	(92,698)	-
Total revenues and support	<u>10,695,851</u>	<u>(32,500)</u>	<u>10,663,351</u>	<u>9,670,626</u>	<u>(15,198)</u>	<u>9,655,428</u>
Expenses						
Program services						
Adoption	1,545,227	-	1,545,227	1,456,417	-	1,456,417
Child and family services	1,691,034	-	1,691,034	1,840,678	-	1,840,678
Residential and community treatment	4,511,768	-	4,511,768	3,982,354	-	3,982,354
Total program services	<u>7,748,029</u>	<u>-</u>	<u>7,748,029</u>	<u>7,279,449</u>	<u>-</u>	<u>7,279,449</u>
Supporting services						
General and administrative	1,958,334	-	1,958,334	1,673,143	-	1,673,143
Fundraising and development	307,417	-	307,417	259,839	-	259,839
Total supporting services	<u>2,265,751</u>	<u>-</u>	<u>2,265,751</u>	<u>1,932,982</u>	<u>-</u>	<u>1,932,982</u>
Total expenses	<u>10,013,780</u>	<u>-</u>	<u>10,013,780</u>	<u>9,212,431</u>	<u>-</u>	<u>9,212,431</u>
Change in net assets from operations	<u>682,071</u>	<u>(32,500)</u>	<u>649,571</u>	<u>458,195</u>	<u>(15,198)</u>	<u>442,997</u>
Other gains (losses)						
Contributions for long-term purposes	-	2,000	2,000	-	2,000	2,000
Net investment return (loss)	196,087	125,847	321,934	(232,430)	(215,470)	(447,900)
Change in value of interest rate swap agreement	29,059	-	29,059	102,059	-	102,059
Loss from sale-leaseback and disposal of assets	-	-	-	(105,678)	-	(105,678)
Net other gains (losses)	<u>225,146</u>	<u>127,847</u>	<u>352,993</u>	<u>(236,049)</u>	<u>(213,470)</u>	<u>(449,519)</u>
Change in net assets	<u>907,217</u>	<u>95,347</u>	<u>1,002,564</u>	<u>222,146</u>	<u>(228,668)</u>	<u>(6,522)</u>
Net assets, beginning of year	<u>8,084,205</u>	<u>1,300,114</u>	<u>9,384,319</u>	<u>7,862,059</u>	<u>1,528,782</u>	<u>9,390,841</u>
Net assets, end of year	<u>\$ 8,991,422</u>	<u>\$ 1,395,461</u>	<u>\$ 10,386,883</u>	<u>\$ 8,084,205</u>	<u>\$ 1,300,114</u>	<u>\$ 9,384,319</u>

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

LUND FAMILY CENTER, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Services			
		Child and Family Services	Residential and Community Treatment	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	Total
Expenses	Adoption							
Salaries and wages	\$1,051,994	\$1,046,945	\$2,886,321	\$ 4,985,260	\$ 1,096,090	\$ 182,479	\$ 1,278,569	\$ 6,263,829
Payroll taxes and benefits	<u>282,862</u>	<u>268,571</u>	<u>735,834</u>	<u>1,287,267</u>	<u>285,665</u>	<u>48,714</u>	<u>334,379</u>	<u>1,621,646</u>
	<u>1,334,856</u>	<u>1,315,516</u>	<u>3,622,155</u>	<u>6,272,527</u>	<u>1,381,755</u>	<u>231,193</u>	<u>1,612,948</u>	<u>7,885,475</u>
Audit and legal	-	7,512	-	7,512	71,421	-	71,421	78,933
Dues and fees	30,920	6,900	3,385	41,205	15,010	2,644	17,654	58,859
Equipment	13,757	3,488	10,749	27,994	1,712	441	2,153	30,147
Facilities	37,814	129,202	200,253	367,269	186,037	8,980	195,017	562,286
Insurance	5,459	18,956	33,490	57,905	26,578	1,291	27,869	85,774
Interest	780	6,032	108,766	115,578	5,786	184	5,970	121,548
Other expenses	1,737	668	617	3,022	4,189	6,874	11,063	14,085
Other professional fees	36,653	108,615	60,238	205,506	168,489	29,320	197,809	403,315
Participant assistance	16,250	29,597	56,583	102,430	-	27	27	102,457
Postage	5,668	32	597	6,297	1,019	2,937	3,956	10,253
Printing and advertising	81	628	473	1,182	779	19,230	20,009	21,191
Supplies	3,914	30,505	175,783	210,202	34,120	2,397	36,517	246,719
Telephone	7,807	2,703	9,840	20,350	38,962	802	39,764	60,114
Travel	<u>45,576</u>	<u>12,236</u>	<u>29,564</u>	<u>87,376</u>	<u>3,434</u>	<u>162</u>	<u>3,596</u>	<u>90,972</u>
	206,416	357,074	690,338	1,253,828	557,536	75,289	632,825	1,886,653
Depreciation	<u>3,955</u>	<u>18,444</u>	<u>199,275</u>	<u>221,674</u>	<u>19,043</u>	<u>935</u>	<u>19,978</u>	<u>241,652</u>
	<u>210,371</u>	<u>375,518</u>	<u>889,613</u>	<u>1,475,502</u>	<u>576,579</u>	<u>76,224</u>	<u>652,803</u>	<u>2,128,305</u>
Total expenses	<u>\$1,545,227</u>	<u>\$1,691,034</u>	<u>\$4,511,768</u>	<u>\$ 7,748,029</u>	<u>\$ 1,958,334</u>	<u>\$ 307,417</u>	<u>\$ 2,265,751</u>	<u>\$10,013,780</u>

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			
		Child and Family Services	Residential and Community Treatment	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	Total
	Adoption							
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.**Statements of Cash Flows****Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 1,002,564	\$ (6,522)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	249,520	356,936
Unrealized and realized (gain) loss on investments	(236,109)	469,346
Contributions restricted for long-term purposes	(2,000)	(2,000)
Change in fair value of interest rate swap agreement	(29,059)	(102,059)
Loss from sale-leaseback and disposal of assets	-	105,678
Changes in operating assets and liabilities		
Accounts and grants receivable	231,244	(344,641)
Contributions receivable	(10,000)	40,000
Prepaid assets and other assets	47,898	(34,939)
Change in right of use operating asset, net of operating lease obligation	22,812	7,412
Accounts payable and accrued expenses	(17,960)	1,396
Accrued salaries and benefits	67,856	(261,051)
Deferred revenue	19,137	-
Net cash provided by operating activities	<u>1,345,903</u>	<u>229,556</u>
Cash flows from investing activities		
Purchases of investments	(6,305,329)	(497,202)
Proceeds from sale of investments	3,136,958	477,707
Acquisition of property and equipment	(116,594)	(163,590)
Proceeds from sale of property and equipment	<u>-</u>	<u>1,140,808</u>
Net cash (used) provided by investing activities	<u>(3,284,965)</u>	<u>957,723</u>
Cash flows from financing activities		
Receipt of contributions restricted by donors for long-term purposes	2,000	2,000
Principal payments on long-term debt obligations	<u>(191,764)</u>	<u>(209,316)</u>
Net cash used by financing activities	<u>(189,764)</u>	<u>(207,316)</u>
Net (decrease) increase in cash and cash equivalents	(2,128,826)	979,963
Cash and cash equivalents, beginning of year	<u>3,773,199</u>	<u>2,793,236</u>
Cash and cash equivalents, end of year	<u>\$ 1,644,373</u>	<u>\$ 3,773,199</u>

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

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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 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 Lund. These net assets may be used at the discretion of management and the Board of Trustees.

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.

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 increases to net assets with donor restrictions. 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, 2023 and 2022, all contributions receivable are expected to be collected within one year.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022. Accounts and grants receivable amounted to \$1,280,058, \$1,511,302 and \$1,166,661 for the years ended June 30, 2023, 2022 and 2021, respectively.

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.

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

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 finance lease, and (iv) recognizes a lease right of use (ROU) asset and lease obligation. 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.

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 finance 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. Finance lease ROU asset amortization and interest costs are recorded within depreciation and interest in the statements 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 obligation in the Organization's statements of financial position as of June 30, 2023 and 2022, respectively.

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.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 Financial Accounting Standards Board (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, 2023 and 2022 was \$6,595,433 and \$5,683,765, 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 \$333,332 and \$415,408, respectively for the years ended June 30, 2023 and 2022.

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 and Assets Limited as to Use

Assets limited as to use consists of assets designated by the Board or restricted by donors.

Lund reports investments and assets limited as to use 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.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 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, 2023 and 2022. 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.

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 10, 2023, 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 accounts and grants receivable.

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.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents available for operations	\$ 1,585,337	\$ 3,701,663
Accounts and grants receivable available for operations	<u>1,280,058</u>	<u>1,511,302</u>
Financial assets available at year end for general expenditures	<u>\$ 2,865,395</u>	<u>\$ 5,212,965</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 has long-term and short-term Board designated investments (Note 4) that could be available upon approval by the Board which are excluded from the table above. The long-term investments without donor-imposed restrictions are 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.

3. Property and Equipment

Property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 233,177	\$ 233,177
Buildings and improvements	6,457,446	6,345,853
Furniture and equipment	277,664	272,314
Vehicles	<u>126,810</u>	<u>132,042</u>
	7,095,097	6,983,386
Less accumulated depreciation	<u>2,734,930</u>	<u>2,523,097</u>
Property and equipment, net	<u>\$ 4,360,167</u>	<u>\$ 4,460,289</u>

4. Assets Limited as to Use

Assets limited as to use, stated at fair value, consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,318,725	\$ 26,057
Exchange traded funds	944,912	601,731
Equities	645,898	821,826
Mutual funds	-	152,434
Fixed income	<u>428,872</u>	<u>331,879</u>
	<u>\$ 5,338,407</u>	<u>\$ 1,933,927</u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

The composition of assets limited as to use consisted of the following:

	<u>2023</u>	<u>2022</u>
Designated by the Board		
Short-term investment	\$ 3,140,826	\$ -
Long-term investment	911,156	775,349
Funds with donor restrictions		
Long-term investment	<u>1,286,425</u>	<u>1,158,578</u>
	<u>\$ 5,338,407</u>	<u>\$ 1,933,927</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 Measurement

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.

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. Lund did not have any Level 3 assets or liabilities as of June 30, 2023 and 2022.

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets Whose Use is Limited			
Cash and cash equivalents	\$ 3,318,725	\$ -	\$ 3,318,725
Exchange traded funds	944,912	-	944,912
Equities	645,898	-	645,898
Fixed income	-	428,872	428,872
Total investments	<u>\$ 4,909,535</u>	<u>\$ 428,872</u>	<u>\$ 5,338,407</u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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>
Assets Whose Use is Limited			
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	<u>-</u>	<u>331,879</u>	<u>331,879</u>
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>

The fair value for Level 2 assets is primarily based on market prices of comparable or underlying securities, interest rates, and credit risk using the market approach for Lund's investments.

The fair value of the interest rate swap agreement from the series 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 2023, the interest rate swap agreement expired and was not renewed (Note 8).

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 statements of financial position, which represents the amount due from the third party in June 2032.

In June 2022, the Organization entered into an operating lease for space in South Burlington, Vermont. 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. Interest has been imputed on the operating lease at 8% annually calculated monthly. The weighted average remaining lease term is 9.13 years and the weighted average discount rate is 8%. Total operating leases costs for the years ended June 30, 2023 and 2022 were \$270,812 and \$22,568, respectively, and are included within facilities in the statements of functional expenses. Cash paid for operating leases under Topic 842 was \$248,000 and \$15,156, respectively for the years ended d June 30, 2023 and 2022.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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

2024	\$	252,960
2025		258,019
2026		263,180
2027		268,443
2028		273,812
Thereafter		<u>1,151,117</u>
		2,467,531
Less imputed interest expense		<u>(838,334)</u>
Operating lease obligation	\$	<u><u>1,629,197</u></u>

7. Long-Term Debt Obligations

Lund had the following long-term debt obligations:

	<u>2023</u>	<u>2022</u>
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, 2023). At the date of maturity, Lund may extend the bonds for one additional five year term; collateralized by specific real estate.	\$ 409,678	\$ 461,462
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 (4.199% at June 30, 2023). 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.	1,855,092	1,989,098
Note payable to Toyota Motor Credit Corporation, payable in monthly installments totaling \$551, including interest at 2.9%, through June 2026.	<u>18,963</u>	<u>-</u>
	2,283,733	2,450,560
Less current portion	202,396	185,801
Less unamortized deferred financing costs	<u>14,641</u>	<u>22,508</u>
Long-term debt obligations, net of current portion and unamortized deferred financing costs	\$ <u><u>2,066,696</u></u>	\$ <u><u>2,242,251</u></u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Maturities of long-term debt are as follows:

2024	\$ 202,395
2025	213,713
2026	225,624
2027	231,593
2028	244,766
Thereafter	<u>1,165,642</u>
Total	\$ <u>2,283,733</u>

Interest expense charged to operations, including amortization of deferred financing costs of \$7,868, was \$121,548 and \$221,672 during the years ended June 30, 2023 and 2022, respectively. Cash paid for interest approximated interest expense in 2023 and 2022.

Under the terms of the VEDA bonds, Lund is required to maintain financial covenants. As of June 30, 2023 and 2022, Lund complied with the covenants under the VEDA bonds.

8. Interest Rate Swap Agreement

In connection with the issuance of the VEDA series 2007E bonds, Lund entered into an interest rate swap agreement which expired in February 2023. During 2022, the interest rate swap agreement had a notional amount of \$1,960,262 that effectively converted the variable rate on the VEDA series 2007E bonds to a fixed rate through February 2023. The swap was not renewed after February 2023. Under the swap agreement, Lund paid interest at a fixed rate of 6.2% and received an interest payment at the variable rate on the VEDA series 2007E bonds.

The derivative instrument was 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 \$29,059 as of June 30, 2022.

9. Net Assets

Net assets without donor restrictions were as follows:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 4,939,440	\$ 7,308,856
Short-term board-designated funds	3,140,826	-
Board-designated endowment funds	<u>911,156</u>	<u>775,349</u>
	\$ <u>8,991,422</u>	\$ <u>8,084,205</u>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Net assets with donor restrictions were as follows:

	<u>2023</u>	<u>2022</u>
Funds maintained in perpetuity:		
Income to support general operations	\$ <u>1,024,337</u>	\$ <u>1,022,337</u>
Funds maintained with donor restrictions temporary in nature:		
Accumulated earnings on funds maintained in perpetuity	<u>262,088</u>	136,241
Other restrictions		
Technology	<u>19,713</u>	19,713
Adoption	<u>39,323</u>	51,823
Time restriction	<u>50,000</u>	<u>70,000</u>
Total funds maintained with donor restrictions temporary in nature	<u>371,124</u>	<u>277,777</u>
Total net assets with donor restrictions	\$ <u>1,395,461</u>	\$ <u>1,300,114</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.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 restrictions. There were no deficiencies of this nature as of June 30, 2023 and 2022.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

Endowment Composition and Changes in Endowment

The endowment net asset composition by type of fund as of June 30, 2023 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,286,425	\$ 1,286,425
Board-designated endowment funds	<u>911,156</u>	<u>-</u>	<u>911,156</u>
	<u>\$ 911,156</u>	<u>\$ 1,286,425</u>	<u>\$ 2,197,581</u>

The changes in endowment net assets for the year ended June 30, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2022	\$ 775,349	\$ 1,158,578	\$ 1,933,927
Contributions	60,918	2,000	62,918
Transfer to undesignated net assets	(53,000)	-	(53,000)
Investment return	<u>127,889</u>	<u>125,847</u>	<u>253,736</u>
Endowment net assets, June 30, 2023	<u>\$ 911,156</u>	<u>\$ 1,286,425</u>	<u>\$ 2,197,581</u>

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>

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

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 84% and 83% of total revenue for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, total contributions to the Plan were \$97,976 and \$67,079, respectively.

13. Statement of Cash Flows Information

The Organization had the following noncash activity for the years ended June 30:

	2023	2022
Right of use asset acquired through lease obligation	\$ <u> - </u>	\$ <u>1,856,342</u>
Repayment of note payable to People's United Bank as part of the sale-leaseback of Joy Drive	\$ <u> - </u>	\$ <u>1,384,913</u>
Seller financing note receivable related to the sale-leaseback of Joy Drive	\$ <u> - </u>	\$ <u>466,008</u>
Acquisition of property and equipment with issuance of long-term debt	\$ <u>24,936</u>	\$ <u> - </u>

14. Pandemic 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 meetings.

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 Internal Revenue Code (IRC), including those related to losses, charitable deductions, and business interest.

LUND FAMILY CENTER, INC.

Notes to Financial Statements

June 30, 2023 and 2022

The CARES Act established the Provider Relief Funds (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF was 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 were used for qualifying expenses and to cover lost revenue due to COVID-19. The PRF was recognized as income when qualifying expenditures were incurred, or lost revenues were identified. Management believes the Organization 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 2023 and 2022, the Organization recognized \$39,442 and \$40,768. respectively in ARPA Child Care Stabilization Sub-grants. The revenue is included with federal and state contracts and grants in the statements of activities and changes in net assets.

During 2023, the Organization recognized \$186,000 in Vermont Premium Pay grant funding. 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, 2023

Revenues

Government contracts	\$ 3,104,665
Medical Billings	849
Contributions	2,603
Performance-based payments *	1,350,000
Other	<u>2,950</u>
	<u>4,461,067</u>

Expenses

Salaries and wages	1,896,150
Payroll taxes and benefits	501,374
Supplies	158,021
Family assistance	52,264
Facilities	533,714
Travel	16,066
Equipment repairs and maintenance	5,212
Printing, advertising and subscriptions	239
Telephone	2,025
Staff development and training	3,520
Contracts and services	42,277
Postage	184
Agency costs	718,217
Other	<u>617</u>
	<u>3,929,880</u>

\$ 531,187

* Performance-based payments were contingent upon Lund meeting certain census and staffing requirements.

LUND FAMILY CENTER, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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>26,389</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>6,750</u>
<u>United States Department of Treasury:</u>			
<i><u>Pass-through:</u></i>			
<i><u>Vermont Agency of Human Services:</u></i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	SFR0000041908	<u>186,000</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	90CU0088-01-00	<u>244,147</u>
COVID-19 - Provider Relief Fund	93.498		<u>56,106</u>
<i><u>Pass-through:</u></i>			
<i><u>Vermont Department of Health:</u></i>			
Promoting Safe and Stable Families Program	93.556	03440-28475-23	56,812
Promoting Safe and Stable Families Program	93.556	03440-28466-23	92,640
Promoting Safe and Stable Families Program	93.556	03440-28466-LUND- FY22	<u>3,750</u>
Total AL 93.556			<u>153,202</u>

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

LUND FAMILY CENTER, INC.

Schedule of Expenditures of Federal Awards, concluded

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor/Agreement Number	Federal Expenditures
Child Care Development Block Grant	93.575	03440-33873-23	9,967
Child Care Development Block Grant	93.575	03440-33847-22-LCF	<u>6,480</u>
Total AL 93.575			<u>16,447</u>
Community-based Child Abuse Prevention Grants	93.590	03440-32307-23	<u>7,885</u>
Community-based Child Abuse Prevention Grants	93.590	03440-32307-22- LUND	<u>6,000</u>
Total AL 93.590			<u>13,885</u>
Grants to States for Access and Visitation Programs	93.597	03440-28489-23	<u>8,200</u>
Adoption Incentive Payments	93.603	03440-28475-23	<u>53,800</u>
Foster Care_Title IV-E	93.658	03440-28466-23	<u>10,361</u>
Adoption Assistance	93.659	03440-28489-23	<u>169,157</u>
Adoption Assistance	93.659	03440-28466-LUND- FY22	<u>6,000</u>
Total AL 93.659			<u>175,157</u>
<u>Medicaid Cluster:</u>			
Medical Assistance Program	93.778	03440-39014-19-SFG	6,267
Medical Assistance Program	93.778	03440-32307-23	8,607
Medical Assistance Program	93.778	03440-39014-23	11,164
Medical Assistance Program	93.778	03440-39047-23	1,861
Medical Assistance Program	93.778	03440-32307-22- LUND	<u>9,891</u>
Total AL 93.778 and total Medicaid Cluster			<u>37,790</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>863,662</u>
Total Expenditures of Federal Awards			<u>\$ 1,082,801</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, 2023

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, 2023. 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.

The amount reported on the Schedule for the Provider Relief Funds (PRF) is based upon the Period 4 PRF report that was required to be submitted to Health Resources and Services Administration reporting portal.

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, 2023, 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 10, 2023.

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) 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 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 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*.

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 10, 2023
Registration No. 92-0000278



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE 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 *OMB Compliance Supplement* that could have a direct and material effect on Lund's major federal program for the year ended June 30, 2023. 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, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); 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 Lund's federal programs.

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. GAAS, *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. GAAS, *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 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.

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 above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, 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 control over compliance. Accordingly, no such opinion is expressed.

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

Berry Dunn McNeil & Parker, LLC

Manchester, New Hampshire
November 10, 2023
Registration No. 92-0000278

LUND FAMILY CENTER, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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

93.087

Enhance Safety of Children Affected by Substance Abuse

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, 2023

None