SPECTRUM
YOUTH & FAMILY SERVICES

Spectrum Youth & Family Services, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020 and 2019

DAVIS & HODGDON
ASSOCIATES
CPAs ▪ PLC

Innovative
Entrepreneurial
Experienced

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 and 2019

C O N T E N T S

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

To the Board of Directors of
Spectrum Youth & Family Services, Inc.
Burlington, Vermont

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Spectrum Youth & Family Services, Inc. and Subsidiary (a non-profit organization), which comprise the consolidated statements of financial position as of September 30, 2020, and the related consolidated 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spectrum Youth & Family Services, Inc. and Subsidiary as of September 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report of Summarized Comparative Information

The consolidated financial statements include certain prior year summarized information in total. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Other Matters

The consolidated financial statements for Spectrum Youth & Family Services, Inc. and Subsidiary as of and for the year ended September 30, 2019 were audited by other auditors whose report dated March 20, 2020 expressed an unmodified opinion.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 March 31, 2021 on our consideration of Spectrum Youth & Family Services, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spectrum Youth & Family Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

Davis & Hodgdon Associates, CPAs, PLC

Williston, Vermont
March 31, 2021

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the Years Ended September 30, 2020 and 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 159,747	$ --
Grants and contracts receivable	630,227	790,974
Promises to give, current portion	280,000	223,500
Prepaid expenses	45,605	37,378
Total current assets	1,115,579	1,051,852
PROPERTY AND EQUIPMENT, net	1,726,044	876,288
OTHER ASSETS		
Investments	4,712,897	4,336,952
Restricted cash	375,545	745,156
Promises to give, net of current portion	210,000	528,561
Security deposits	3,250	3,799
Total other assets	5,301,692	5,614,468
Total assets	$ 8,143,315	$ 7,542,608
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Unrestricted cash overdraft	$ --	$ 426,902
Accounts payable	216,945	435,424
Accrued payroll liabilities	221,153	142,615
Accrued vacation	131,000	83,911
Rent deposits	--	1,180
Contract liabilities	44,768	57,542
Refundable advance	16,000	--
Total current liabilities	629,866	1,147,574
Total liabilities	629,866	1,147,574
NET ASSETS		
Without donor restrictions	5,684,435	4,433,761
With donor restrictions		
Restricted by time or purpose	1,438,542	1,570,801
Restricted in perpetuity	390,472	390,472
Total net assets	7,513,449	6,395,034
Total liabilities and net assets	$ 8,143,315	$ 7,542,608

See Independent Certified Public Accountant's Audit Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Grants and contracts	$ 3,592,784	$ 1,895,239
Program fees	441,289	715,377
Contributions	2,029,324	1,895,283
Operating investment income	165,000	150,000
Rental income	16,783	23,724
Miscellaneous income	236	22,158
Total unrestricted revenues, gains and other support	6,245,416	4,701,781
Net assets released from restrictions	1,160,133	244,715
Total support, revenues and reclassifications	7,405,549	4,946,496
OPERATING EXPENDITURES		
Program services	4,998,631	4,075,194
Supporting activities		
Management and general	605,714	558,991
Fundraising	488,121	465,599
Total operating expenditures	6,092,466	5,099,784
Net income from operations	1,313,083	(153,288)
OTHER REVENUE		
Loss on disposal of assets	(18,265)	(902)
Investment loss, net of operating transfer	(44,144)	(92,281)
Total other revenue	(62,409)	(93,183)
Change in net assets without donor restrictions	1,250,674	(246,471)
NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Contributions	775,444	250,101
Capital gifts	225,181	743,191
Endowment earnings	27,249	7,189
Net assets released from restrictions	(1,160,133)	(244,715)
Change in net assets without donor restrictions	(132,259)	755,766
Total change in net assets	1,118,415	509,295
NET ASSETS - beginning of year	6,395,034	5,885,739
NET ASSETS - end of year	$ 7,513,449	$ 6,395,034

See Independent Certified Public Accountant's Audit Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020 (With Comparative Totals for 2019)

	Program Services	Management and General	Fundraising	2020 Total	2019 Total
Compensation					
Salaries and wages	$ 2,204,945	$ 334,673	$ 233,218	$ 2,772,836	$ 2,378,102
Payroll taxes	166,536	25,277	17,615	209,428	159,709
Employee benefits	411,139	94,767	65,221	571,127	498,230
Total compensation	2,782,620	454,717	316,054	3,553,391	3,036,041
Other					
Professional services	1,416,059	49,023	26,374	1,491,456	1,059,413
Programs and client exp.	222,235	11,747	81,982	315,964	286,585
Occupancy	233,214	6,847	935	240,996	199,302
Technology expense	123,579	33,062	23,447	180,088	144,120
Depreciation	73,546	10,078	2,043	85,667	104,555
Insurance	47,907	7,077	5,224	60,208	68,242
Office expenses	39,934	11,805	11,114	62,853	58,405
Miscellaneous	8,442	10,085	19,067	37,594	35,813
Travel	19,452	2,685	122	22,259	34,238
Food	15,810	946	25	16,781	30,848
Advertising	13,625	2,116	--	15,741	22,688
Conferences and meetings	2,208	5,526	1,734	9,468	19,534
Total other	2,216,011	150,997	172,067	2,539,075	2,063,743
Total expenses	$ 4,998,631	$ 605,714	$ 488,121	$ 6,092,466	$ 5,099,784

See Independent Certified Public Accountant's Audit Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,118,415	$ 509,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	85,667	104,555
Unrealized gain (loss) on investments	293,010	(7,054)
Loss on asset disposition	(18,265)	--
Investment earnings reinvested	27,249	7,189
Changes in:		
Grants and contracts receivable	160,747	(585,515)
Promises to give	36,880	(805,691)
Prepaid expenses	(8,227)	8,395
Security deposits	549	(1,624)
Accounts payable	(218,479)	270,385
Accrued payroll liabilities	78,538	(27,620)
Accrued vacation	47,089	2,868
Rent deposits	(1,180)	(2,900)
Contract liabilities	(12,774)	(6,041)
Refundable advance	16,000	--
Net cash provided (used) by operating activities	1,605,219	(533,759)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,649,885)	(1,974,369)
Proceeds from sale of investments	2,953,680	2,043,747
Purchase of property and equipment	(322,347)	(12,084)
Cash spent from capital gifts	(594,811)	--
Cash received from capital gifts	225,181	314,630
Net cash used by investing activities	(1,388,182)	371,924
Net change in cash, cash equivalents and restricted cash	217,037	(161,834)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	318,254	480,088
End of year	$ 535,292	318,254

See Independent Certified Public Accountant's Audit Report and Notes to Financial Statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Spectrum Youth & Family Services, Inc. (the Organization) is a non-profit organization organized under the laws of the State of Vermont dedicated to empowering teenagers, young adults, and their families to make and sustain positive changes through prevention, intervention, and life skills services. The Organization serves clients in Chittenden County, Vermont and other areas throughout the state and receives revenues from federal and state grants, program fees, and private support.

More information regarding the Organization may be found by visiting its website at www.spectrumvt.org.

Principles of consolidation

The consolidated financial statements include the accounts of the Organization and its controlled subsidiary, Spectrum Works, L3C (Detail Works). Spectrum created Detail Works in 2016 for the purpose of vocational training. The operations of Detail Works are an integral part of the accompanying consolidated financial statements at September 30, 2020. All significant intercompany accounts have been eliminated in consolidation.

Programs and activities

The Organization provides a wide range of counseling and social work services. The following programs and supporting services are included in the accompanying consolidated financial statements.

Residential programs

Residential programs include three residential facilities and an emergency shelter providing services to help youth transition to independent living. The third residential facility on Pearl Street in Burlington was opened in June 2012.

Drop-in Center

The Drop-in Center helps youth with basic needs (such as meals and clothing) and offers job training classes, driver education and other services.

Counseling Program

The Counseling Program is nationally recognized and specializes in assessment and treatment of mental health and substance abuse concerns for adolescents and young adults.

Social Enterprise Initiative

The Social Enterprise Initiative consists of Detail Works, which gives youth progressive, on-the-job experience, with an emphasis on attention, communication, and accountability, and gives youth a chance to try out these skills in a safe environment.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Programs and activities (continued)

Other Programs

Other programs focus on individualized services for youth, offering independent living skills, job training and development and substance abuse education, and identifying additional programs to help youth become contributing members of the community.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities for such expenses are incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of presentation

The Organization's consolidated financial statement presentation follows the recommendations of the Not-for-Profit Topic of the Codified FASB Accounting Standards. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had $1,829,014 and $1,961,273 of net assets with donor restrictions at September 30, 2020 and 2019, respectively.

Comparative financial information

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended September 30, 2019, from which the summarized information was derived.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Recently adopted accounting standards

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), with the intention to address the diversity in practice among not-for-profit organizations for grant and contribution accounting. Effective October 1, 2019, the Organization adopted Topic 605 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The adoption of the standard did not have an impact on the Organization's financial statements. There was no cumulative effect of adoption of the standard.

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard establishes a single revenue recognition model for all contracts with customers, eliminates industry and transaction specific requirements, and expands disclosure requirements. Effective October 1, 2019, the Organization adopted the standard using the modified retrospective method, under which prior year results are not restated, but supplemental information is provided for any material impacts of the standard on the September 30, 2019 results. The adoption of the standard did not have a material impact on the Organization's financial statements. There was no cumulative effect of adoption of the standard. The Organization did not elect any practical expedients that require disclosure.

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The standard amends the presentation of restricted cash within the consolidated statements of cash flows. The new guidance requires that restricted cash and cash equivalents be added to cash and cash equivalents for purposes of the consolidated statements of cash flows. Effective October 1, 2019, the Organization adopted the standard using the retrospective method, under which prior year results are restated. The adoption of the standard did not have a material impact on the Organization's financial statements.

The adoption of ASU 2016-18 resulted in the following changes to the Organization's cash flow classification for the year ended September 30, 2019:

	2019 As Previously Reported	Effect of Adoption	2019 As Adjusted
Operating activities	$ (492,532)	$ --	$ (492,532)
Investing activities	16,068	--	16,068
Financing activities	(45,030)	359,660	314,630
Net change in cash, cash equivalents and restricted cash	$ (521,494)	$ 359,660	$ (161,834)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Recently adopted accounting standards (continued)

In January 2016, FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments - Overall (Subtopic 825-10). The standard enhances the recognition, measurement, presentation, and disclosure of financial instruments. Effective October 1, 2019, the Organization adopted the standard using the modified retrospective method, under which prior year results are not restated, but supplemental information is provided for any material impacts of the standard on the September 30, 2019 results. The adoption of the standard did not have an impact on the Organization's financial statements. There was no cumulative effect of adoption of the standard.

Cash, cash equivalents and restricted cash

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Vermont Housing and Conservation Board (VHCB), which provided funding for the Pearl Street Residence, requires that a reserve account be maintained for the use of capital needs at the Pearl Street Building.

Receivables and allowance for doubtful accounts

Grants and contracts receivable consisted of amounts due from various federal and state agencies and other non-profit organizations at September 30, 2020 and 2019. The Organization determines the allowance for uncollectible grants and contracts receivable and uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. There was no allowance for uncollectible amounts at September 30, 2020 and 2019 and there was no bad debt expense related to grants and contracts receivable or accounts receivable at September 30, 2020 and 2019.

Promises to give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Consolidated Statement of Activities and Changes in Net Assets.

The Organization determines its allowance for promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. There was no allowance for uncollectible promises to give at September 30, 2020 and 2019.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Additions and betterments with a value in excess of $2,000 and a service life of greater than one year are capitalized, and expenditures for repairs and maintenance are expensed when incurred. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the accompanying Consolidated Statements of Activities and Changes in Net Assets. In the case of donated property, the asset is recorded at the fair market value.

Investments

Investments consist of cash, fixed income securities, equities, and alternative investments that are accounted for using the fair value method. These investments have been designated for long-term investment by the Organization.

A portion of the Organization's investment funds are made up of net assets transferred to a community foundation from net assets without donor restrictions (see Note 7.) as described below. Accordingly, these funds are not subject to the Organization's interpretation of the pertinent State Prudent Management of Institutional Funds Act (SPMIFA) or the Organization's investment and spending policy.

The Foundation has been granted variance power whereby the Board of Trustees of the Vermont Community Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Foundation Board, such restriction or condition becomes, in effect, unnecessarily, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The Foundation has agreed that if the Foundation board proposes to exercise this power, the exercise of such power shall not be effective earlier than at least ninety days after the Foundation notifies the Organization in writing of (a) its intent to exercise such power and (b) the manner in which the Foundation proposes to vary the purposes, uses, or methods of administration of the funds. Each year the Foundation shall pay to the Organization an amount to be determined on an annual basis by the Foundation's board.

In accordance with the Codified FASB Accounting Standards, these funds have been treated as a beneficial interest in assets held by others and appear on the accompanying Consolidated Statements of Financial Position as investments.

Fair value measurements

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability under current market conditions at the measurement date. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that is based on the subjectivity of inputs.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

It distinguishes between observable inputs (Levels 1 and 2) which are either observable from market data or corroborated by observable market data and those that are unobservable (Level 3).

Three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs include quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities debt securities and alternative investments using net asset value (NAV) per share for which the Organization has the ability to redeem its investment at or close to the measurement date.

Level 3 – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstances. This category generally includes certain private debt and equity instruments, alternative investments where the Organization will never have the ability to redeem its investment with the investee at NAV per share or the redemption date is not close to the measurement date. This category also includes investments held in trust where the Organization is not the trustee and the beneficial interest in perpetual trust.

All long-term investments (see Note 7.) have been valued in accordance with the definition of Level 1 and 3 inputs as described above.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accrued compensated absences

The Organization provides each employee with paid time off compensation hours, which are accumulated on a pro-rata basis as actual hours are worked. Compensated absences accrue when amounts can reasonably be estimated and payment of compensation is probable. Accrued compensated absences totaled $131,000 and $83,911 at September 30, 2020 and 2019, respectively.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Contract liabilities

The Organization collects deposits for events and programs to be held in the future. The revenues associated with these events and programs are recognized in the period in which the event or program occurs and accordingly, amounts received for an event or program that has not yet occurred are classified as contract liabilities.

Net asset classification

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support and revenue

In accordance with provisions of the ASC Topic 958-605, Revenue Recognition, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and whether a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958-605 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should report such awards as conditional grant advance liabilities until such conditions are met.

The Organization records contributions as net assets without donor restrictions and net assets with donor restrictions depending on the existence or nature of donor restrictions. Unconditional promises to give are recorded as promises to give. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Support and revenue (continued)

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restriction. Restricted contributions that meet restrictions in the same reporting period as received are reported as increases in net assets without donor restrictions.

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Donated investments are also reported at fair value at the date of receipt, which is then treated as the Organization's cost basis.

The Organization received federal grant funding totaling $1,114,807 and $852,865 during the years ended September 30, 2020 and 2019, respectively.

Dividends, interest and net gains on investments of endowments and similar funds are reported a) as increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund or the gift imposes restrictions on the current use of income or net gains; and b) as increases in net assets without donor restrictions in all other cases.

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of Topic 606 and are recognized as the performance obligations are satisfied.

The Organization derives its program service revenues from program service fees and car detailing service fees. These services are comprised of an exchange element based on the value of benefits provided. The Organization recognizes these revenues over the period in which the benefits are received, and performance obligations are satisfied.

Rental income is recognized based on the terms of the agreement.

All other income is recognized when earned.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Income taxes

The Organization is a not-for-profit corporation, exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code; and therefore, none of its present or anticipated future activities are subject to taxation as unrelated business income; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization annually files an IRS Form 990, *Return of Organization Exempt From Income Tax*, tax return in the U.S. Federal jurisdiction. The Organization is no longer subject to U.S. Federal income tax examination by tax authorities for the years prior to September 30, 2017. In the normal course of business, the Organization is subject to examination by various taxing authorities.

Although the outcome of tax audits is always uncertain, the Organization believes that there are no significant unrecognized tax liabilities at September 30, 2020 and 2019.

Expense allocation

The costs of providing the Organization's various programs and supporting activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statements of Functional Expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based upon employees' time dedicated to particular programs or the benefit received based upon the recognition of expenditures incurred.

Endowment policies

The Organization has adopted the Codified FASB Accounting Standards that provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Codified Accounting Standards also improve disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Vermont adopted UPMIFA effective May 5, 2009. The Organization adopted the Codified FASB Accounting Standards beginning with the year ended September 30, 2009. Management has determined that the majority of the Organization's net assets do not meet the definition of endowment under UPMIFA or the Codified FASB Accounting Standards. The Organization is governed subject to its governing documents and most contributions are subject to the terms of these governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Organization.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Endowment policies (continued)

Under the terms of the Organization's governing documents and in the absence of overriding explicit donor stipulations, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions may consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donor-restricted net assets contributed to an endowment fund represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

During the year ended September 30, 2010 the Organization reviewed all endowment funds and transferred to net assets with donor restrictions those that were subject to UPMIFA that were previously classified as without donor restrictions.

Endowment policies - interpretation of relevant law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Endowment policies - interpretation of relevant law (continued)

The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the organization.
- The investment policies of the organization.

Endowment investment and spending policies

The purpose of the Organization's endowment fund is to continue and extend its mission using present and future gifts.

Investment guidelines for the Organization's endowment fund include:

- Achieve a positive rate of return over the long-term that would contribute to the cash flow needs of the organization.
- Maintaining a diversified portfolio of investments to reduce the risk of wide swings in market value.
- To provide for asset growth at a rate in excess of the rate of inflation, net of expenses.
- To achieve investment results over the long-term that compares favorably with those of other endowments and foundations, professionally managed portfolios, and generally accepted market indexes.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled $15,741 and $22,688 for the years ended September 30, 2020 and 2019, respectively.

Concentration of credit risk

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the Organization may maintain its cash balance with one financial institution in excess of the federally insured limit.

Reclassifications

Certain amounts for the year ended September 30, 2019, have been reclassified for comparative purposes to conform to the presentation used in the September 30, 2020 financial statements. The reclassifications have no effect on total net assets for the year ended September 30, 2019.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2020 and 2019

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Subsequent events

Subsequent events have been evaluated through March 31, 2021 which is the date the financial statements were issued.

Note 2. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Consolidated Statement of Financial Position, comprise the following at September 30:

	2020	2019
Financial assets, at year end:		
Cash - unrestricted	$ 159,747	$ --
Grants and contracts receivable	630,227	790,974
Promises to give	490,000	752,061
Restricted cash - capital projects	--	--
Restricted cash - capital reserve	375,545	745,156
Less - donor and contractual restricted included in above amounts	(585,545)	(1,280,622)
Total financial assets available within one year	1,069,974	1,007,569
Liquidity resources:		
Investments	4,712,897	4,336,952
Less beneficial interest held by others	(45,407)	(48,484)
Less investments restricted in perpetuity	(390,472)	(390,472)
Line of credit (see Note 8.)	100,000	2,869,527
Total financial assets available and liquidity resources available within one year	$ 5,446,992	$ 7,775,092

The Agency has a policy to structure its financial assets to be available and liquid as its obligations become due.

Note 3. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the Consolidated Statements of Cash Flows:

	2020	2019
Cash and cash equivalents	$ 159,747	$ (426,902)
Cash restricted for capital reserve	36,895	36,876
Cash restricted for capital projects	338,650	708,280
Total cash, cash equivalents and restricted cash	$ 535,292	$ 318,254

Restricted cash exceed total cash at September 30, 2019, resulting in a negative unrestricted cash balance shown as Unrestricted cash overdraft on the Statement of Financial Position

Note 4. Revenue from Contracts with Customers

Performance obligations

Performance obligations are determined based on the nature of the services provided by the Organization and, in general, performance obligations satisfied over time relate to program participants receiving services, including counseling services, in the Organization's various locations and programs and car detailing services. The Organization measures this performance obligation from the commencement of the program or visit to the point when it is no longer required to provide a service to that participant or customer, which can range from the same day to a month. For this performance obligation, control transfers to the program participant or customer over time as the service is provided.

Transaction prices and variable consideration

The Organization determines transaction prices based on established charges for services to be provided and for goods to be sold, reduced by explicit price concessions (i.e. discounts) provided by the Organization. The Organization determines its estimates for explicit price concessions related to discounts based on contractual agreements, discount policies and historical experience. Further, estimates for implicit price concessions are based on historical experience with program participants and customers.

Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are made based upon historical experience and known trends.

Disaggregation of revenue from contracts with customers

The Organization's revenue based on the satisfaction of performance obligations over time totaled $441,289 and $715,377 for the years ended September 30, 2020 and 2019, respectively.

Note 5. Promises to Give

Substantially all unconditional promises to give at year-end are for the Organization's capital campaign and to support the Organization's programs and are collectible over four years.

Unconditional promises to give consisted of the following at September 30:

	2020	2019
Receivable in less than one year	$ 280,000	$ 223,500
Receivable in one to five years	210,000	528,561
Total promises to give	$ 490,000	$ 752,061

Promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 0.16%. The discount was deemed to be immaterial; therefore, no discount to net present value was deemed necessary.

Due to experience with the dependability of donors, management estimates promises to give to be fully collectible. Therefore, there was no allowance for uncollectible accounts at September 30, 2020 and 2019.

Future maturities of promises to give are as follows:

2021	$ 280,000
2022	120,000
2023	65,000
2024	25,000
Total	$ 490,000

Note 6. Property and Equipment

Property and equipment consisted of the following at September 30:

	(Years)	2020	2019
Land	10 - 40	$ 289,065	$ 289,065
Buildings	15	746,625	746,625
Building improvements	5 - 25	1,853,234	1,115,972
Furniture and equipment	3 - 20	215,664	251,853
Vehicles	5 - 20	52,222	52,222
Construction in progress		--	11,063
Total property and equipment		3,156,810	2,466,800
Less accumulated depreciation		(1,430,766)	(1,590,512)
Property and equipment, net		$ 1,726,044	$ 876,288

Note 6. Property and Equipment (continued)

Depreciation expense totaled $85,667 and $104,555 for the years ended September 30, 2020 and 2019, respectively.

Note 7. Investments

Investments, at fair value, consisted of the following at September 30, 2020:

	Level 1	Level 3	Total
Cash and equivalents	$ 1,029,294	$ --	$ 1,029,294
Fixed income securities	427,120	--	427,120
Mutual funds	371,830	--	371,830
Equities	2,377,933	--	2,377,933
Exchange traded funds	461,313	--	461,313
Vermont Community Foundation	--	45,407	45,407
Total investments	$ 4,667,490	$ 45,407	$ 4,712,897

Investments, at fair value, consisted of the following at September 30, 2019:

	Level 1	Level 3	Total
Cash and equivalents	$ 477,891	$ --	$ 477,891
Fixed income securities	971,981	--	971,981
Equities	2,842,596	--	2,842,596
Vermont Community Foundation	--	44,484	44,484
Total investments	$ 4,292,468	$ 44,484	$ 4,336,952

In 2007, the Organization deposited $25,000 with the Vermont Community Foundation (the Foundation) to establish The Spectrum Youth and Family Services fund. The gift has been invested in the Foundation’s investment pool. The balance of the fund, including accumulated earnings, was $45,407 and $44,484 at September 30, 2020 and 2019, respectively.

The Organization determines the portion of return included in operating amounts during the Organization’s annual budgeting process. Investment revenues are reported net of related expenses.

Note 7. Investments (continued)

The following table provides additional information regarding the aggregate changes in Level 1 investments:

	2020	2019
Beginning balance	$ 4,336,952	$ 4,272,044
Total gains or losses included in statement of activities and changes in net assets	148,105	64,908
Purchases, sales, issuances, and settlements, net	227,840	--
Ending balance	$ 4,712,897	$ 4,336,952

The following schedule summarizes the investment income reported in the statement of activities as an increase in net assets without restrictions:

	2020	2019
Dividend and interest income	$ 118,416	$ 105,246
Net change in beneficial interest	(1,886)	(249)
Realized and unrealized gains	54,994	(15,452)
Total investment income	171,524	89,545
Management fees	(23,419)	(24,637)
Net investment income	$ 148,105	$ 64,908

Investment income is reported on the Consolidated Statements of Activities and Changes in Net Assets as follows for the years ended September 30:

	2020	2019
Without donor restrictions:		
Operating	$ 165,000	$ 150,000
Non-operating	(44,144)	(92,281)
Subtotal - without donor restrictions	120,856	57,719
Endowment earnings	27,249	7,189
Total return on investments	$ 148,105	$ 64,908

Note 8. Line of Credit

In March 2016, the Organization entered into a line of credit agreement with Morgan Stanley Private Bank National Association which is collateralized by securities held in its Morgan Stanley investment account. The line carries a variable rate of interest equal to the one-month LIBOR rate plus 3.00%. The interest rate was 3.14% at September 30, 2020. The available credit on the line was $100,000 and $2,869,527 at September 30, 2020 and 2019, respectively. There was no balance outstanding on the line at September 30, 2020 and 2019.

Note 9. Refundable Advance

During the year ended September 30, 2020, the Organization received $16,000 in cash payments from grant awards as part of Coronavirus (COVID-19) relief efforts, under a federal funding bill for a front-line employee hazard pay grant program. The Organization received these advance payments prior to the grant conditions being met. The revenues associated with these services are recognized in the period in which the services are provided or when conditions are met.

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at September 30:

	2020	2019
Restricted by time or specific purpose:		
Pearl Street residence - capital and programs	$ 338,650	$ 348,650
Pearl Street renovations	--	743,191
Warming shelter	125,000	235,000
Multicultural youth	105,121	3,600
Unappropriated endowment earnings	56,178	28,929
St. Albans Drop-in Center	375,870	--
Other programs and future periods	437,723	211,431
Subtotal -restricted by time or specific purpose	1,438,542	1,570,801
Restricted in perpetuity	390,472	390,472
Total net assets with donor restrictions	$ 1,829,014	$ 1,961,273

Net assets released due to the satisfaction of time and program restrictions totaled $1,160,133 and $244,715 for the years ended September 30, 2020 and 2019, respectively.

Note 11. Endowment Net Assets

Endowment net assets are restricted to investment in perpetuity, the income from which becomes restricted support for the program in which the endowment was established. The income is included in net assets with donor restrictions on the accompanying Consolidated Statement of Activities and Changes in Net Assets. Endowment net assets include the following at September 30:

	2020	2019
Restricted by time or purpose	$ 56,178	$ 28,929
Restricted to be held in perpetuity	390,472	390,472
Total donor-restricted endowment funds	$ 446,650	$ 419,401

Note 11. Endowment Net Assets

Changes in endowment net assets for the years ending September 30, 2020 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 28,929	$ 390,472
Investment return	27,249	--
Change in endowment net assets	$ 56,178	$ 390,472

Changes in endowment net assets for the years ending September 30, 2019 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 21,740	$ 390,472
Investment return	7,189	--
Change in endowment net assets	$ 28,929	$ 390,472

Note 12. Operating Leases

In February 2019, the Organization entered into a one-year lease beginning February 1, 2019 for office space located at 38 S. Winooski Avenue in Burlington, Vermont. The lease expired in January 2020 and called for minimum monthly rental payments of $850. Rent expense totaled $2,550 for the year ended September 30, 2020.

In July 2019 the Organization entered into a two-year lease for facilities located at 22 Avenue C in Williston, Vermont. The lease expires in July 2021 and calls for minimum monthly rental payments of $2,250 for the first year and $2,318 for the second year. Rent expense totaled $30,484 and $21,459 for the years ended September 30, 2020 and 2019, respectively.

In December 2019, the Organization entered into a five-month lease beginning January 1, 2020 for space located at 191 Bank Street in Burlington, Vermont. The lease was subsequently extended through August 2020. The lease expired in August 2020 and called for minimum monthly rental payments of $4,000. Rent expense totaled $30,000 for the year ended September 30, 2020.

In November 2019, the Organization entered into a five-month lease beginning November 1, 2019 for space located at 29 Allen Street in Burlington, Vermont. The lease expired in March 2020 and called for minimum monthly rental payments of $1,500. Rent expense totaled $7,500 for the year ended September 30, 2020.

Note 12. Operating Leases (continued)

In February 2020, the Organization entered into a one-year lease beginning February 1, 2020 for office space located at 20 Allen Street in Burlington, Vermont with the option to renew this lease for additional one-year terms. The lease expires in January 2021 and calls for minimum monthly rental payments of $1,000. Rent expense totaled $9,000 for the year ended September 30, 2020.

In September 2020, the Organization entered into a one-year lease for office space located at 11 Church Street in St. Albans, Vermont. The lease expires in August 2021 and calls for minimum monthly rental payments of $1,000. Rent expense totaled $1,000 for the year ended September 30, 2020.

In October 2018, the Organization entered into a five-year lease for copiers with minimum monthly payments of $470 plus additional costs for use. The agreement expires in October 2023. Rent expense, inclusive of additional charges, totaled $6,193 and $5,827 for the years ended September 30, 2020 and 2019, respectively.

In September 2020, the Organization entered into a five-year lease for copiers with minimum monthly payments of $427 plus additional costs for use starting in October 2020. The agreement expires in September 2025.

In November 2020, the Organization entered into a five-month lease beginning November 1, 2020 for space located at 29 Allen Street in Burlington, Vermont. The lease expires in March 2021 and calls for minimum monthly rental payments of $1,500.

In November 2020, the Organization entered into a three-year lease beginning March 1, 2021 for space located at 229 Lake Street in St. Albans, Vermont. The lease expires in February 2024 and calls for minimum monthly rental payments of $2,100.

In February 2021, the Organization entered into a five-year lease for copiers with minimum monthly payments of $113 plus additional costs for use starting in February 2020. The agreement expires in January 2026.

The following is a schedule of future minimum lease payments for the next five years and in the aggregate under the above operating leases at September 30:

2021	$	48,850
2022		12,121
2023		12,121
2024		6,951
2025		6,481
Thereafter		451
Total	$	86,975

In June 2012, the Organization opened the Pearl Street Residence, which has eight units available to lease to qualified youth. The monthly rent per unit is $590 and rent is subsidized by the Burlington Housing Association for youth unable to pay the full monthly amount. Rental income under this program totaled $1,401 and $8,568 for the years ended September 30, 2020 and 2019, respectively.

Note 12. Operating Leases (continued)

In May 2004, the Organization entered into a seven-year lease agreement to rent facilities located on Pearl street in Burlington, Vermont to another organization. This agreement was renewed for three additional three-year periods, expiring on July 1, 2014, July 1, 2017, and July 1, 2020. This agreement was then renewed for a three-month period, expiring on September 30, 2020 and for another one-year period, expiring on September 30, 2021. The agreement calls for monthly installments of $1,257 from July 2018 through June 2019 and $1,282 from July 2019 through September 2021. Rental income under this agreement totaled $15,382 and $15,156 for the years ended September 30, 2020 and 2019, respectively.

Note 13. Paycheck Protection Program

On April 23, 2020, the Organization received loan proceeds in the amount of $601,700 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and interest are forgivable after eight or 24 weeks, as decided by the Organization, as long as the borrower uses the loan proceeds for eligible purposes, including payroll benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months after the forgiveness period ends.

The Organization used the proceeds for purposes consistent with the PPP. It met the PPP loan eligibility criteria and concluded that the PPP loan represented, in substance, a grant that was expected to be forgiven. The Organization accounted for the PPP loan, in accordance with FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition, as a conditional contribution and has accounted for the full amount of the loan proceeds, for which it incurred qualifying expenses prior to September 30, 2020, as grant revenue on the accompanying Consolidated Statement of Activities and Changes in Net Asset. The loan was forgiven in full on December 14, 2020.

Note 14. Commitments and Contingencies

The Organization receives a significant portion of its funding from various governmental agencies to assist with program expenses and operating costs. These grants and contracts have been expended in accordance with the respective terms contained in the agreements, and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidating financial position of the Organization as of September 30, 2020 and 2019, or on the changes in their net assets for the years then ended.

Note 15. Advances to Affiliate

In the year ended September 30, 2017, Spectrum Youth and Family Services, Inc. created a subsidiary entity, Spectrum Works, L3C, for the purpose of vocational training as an auto detailing social enterprise. Spectrum Youth and Family Services, Inc. had outstanding advances of $558,564 and $403,503 to Spectrum Works, L3C at September 30, 2020 and 2019, respectively.

Note 16. Retirement Plan

The Organization has a 403(b) savings plan for all employees who meet eligibility requirements. The Organization makes matching contributions equal to the lesser of 50% of an employee's salary reduction amount or 3% of a contributing employee's annual compensation. The employer contributions to the plan totaled $44,037 and $36,535 for the years ended September 30, 2020 and 2019, respectively.

Note 17. Housing Covenants and Mortgage Deed

The Organization is subject to a housing subsidy covenant and a mortgage deed as conditions of funding provided by the Vermont Housing and Conservation Board (VHCB). VHCB funding consisted of (1) $150,000 provided in 1994 for repayment of indebtedness to purchase the property at Pearl Street which houses the Emergency Shelter, (2) funding of a $10,000 feasibility grant received in 2011 for pre-development expenses related to construction of a third residential facility, and (3) $144,000 received in 2012 for rehabilitation of a portion of the Pearl Street building as a residential facility, known as Pearl Street Residence, which was opened to residents in June 2012. The housing covenants for the Emergency Shelter and Pearl Street Residence restrict the number of units and establish rent restriction and affordability requirements.

The mortgage deed restricts use of a portion of the Pearl Street property as an emergency shelter and establishes penalties for noncompliance including repayment of the principal amount granted for purchase of the building plus 25% of any appreciation of the property from the date of mortgage and date of noncompliance. The $144,000 VHCB grant requires the funding of a reserve account to be used for future capital needs at the Pearl Street building (Note 1).

Note 18. Coronavirus

The coronavirus (COVID-19) pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is continuously monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of market declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's clients, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

SUPPLEMENTAL INFORMATION

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Pass-through Grantor #	Expenditures	Subgrants
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services				
Projects of Regional and National Signficance	93.243	3H79T108115001S2	$1,114,807	$ 986,753
Total U.S. Department of Health and Human Services (Direct)			1,114,807	986,753
Pass-through programs:				
U.S. Department of Health and Human Services				
State of Vermont, Department of Health				
Substance Abuse and Mental Health Services				
Projects of Regional and National Signficance	93.243	03420-08167	129,095	--
Opioid State Targeted Response Grants	93.788	03420-08240	100,000	--
Opioid State Targeted Response Grants	93.788	03420-08167	89,160	--
Opioid State Targeted Response Grants	93.788	03420-08145	4,160	--
Block Grants for Community				
Mental Health Services	93.958	03150-C1696	7,000	--
Block Grants for Prevention and				
Treatment of Substance Abuse	93.959	03420-08145	38,247	--
Block Grants for Prevention and				
Treatment of Substance Abuse	93.959	N/A	12,097	--
Washington County Youth Service Bureau				
John H. Chaffee Foster Care Program for				
Successful Transition to Adulthood	93.674	N/A	86,240	--
U.S. Department of the Treasury				
State of Vermont, Agency of Human Services				
Coronavirus Relief Fund	21.019	03440-44031-20	35,500	--
Coronovirus Relief Fund	21.019	03420-08435	93,689	--
State of Vermont, Agency of Commerce and Community Development				
Coronovirus Relief Fund	21.019	07100CRF20000176	17,130	--
U.S. Department of Housing and Urban Development				
State of Vermont, Agency of Human Services				
Emergency Solutions Grant Program	14.231	03440-44031-20	88,125	--
Emergency Solutions Grant Program	14.231	03440-44031-21	28,820	--
U.S. Department of Justice				
State of Vermont, Agency of Human Services				
Office of Juvenile Justice and				
Delinquency Prevention	16.540	03440-28420	1,728	--

(continued on next page)

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Pass-through Grantor #	Expenditures	Subgrants
U.S. Department of Justice				
HOPE Works				
Consolidated and Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies	16.888	3H79T108115001S2	2,939	--
Corporation for National and Community Service				
Vermont Youth Development Corps				
AmeriCorps	94.006	N/A	4,156	--
Total pass-through federal expenditures			738,086	--
Total expenditures of federal awards			$1,852,893	$ 986,753

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Spectrum Youth & Family Services, Inc. and Subsidiary (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in as required by Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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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*

To the Board of Directors of
Spectrum Youth & Family Services, Inc.
Burlington, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Spectrum Youth & Family Services, Inc. and Subsidiary (a nonprofit organization) which compromise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Spectrum Youth & Family Services, Inc. and Subsidiary's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spectrum Youth & Family Services, Inc. and Subsidiary's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Davis & Hodgdon Associates, CPAs, PLC

Williston, Vermont
March 31, 2021

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

To the Board of Directors of
Spectrum Youth & Family Services, Inc.
Burlington, Vermont

Report on Compliance for The Major Federal Program

We have audited Spectrum Youth & Family Services, Inc. and Subsidiary's compliance with the types of compliance with the types of compliance requirements described in the *OMB's Compliance Supplement* that could have a direct and material effect on each of Spectrum Youth & Family Services, Inc. and Subsidiary's major federal programs for the year ended September 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Spectrum Youth & Family Services, Inc. and Subsidiary's compliance.

Opinion on the Major Federal Program

In our opinion, Spectrum Youth & Family Services, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Spectrum Youth & Family Services, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Spectrum Youth & Family Services, Inc. and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spectrum Youth & Family Services, Inc. and Subsidiary's internal control over compliance.

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

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

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

Davis & Hodgdon Associates, CPAs, PLC

Williston, Vermont
March 31, 2021

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2020

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 516?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II--Financial Statement Findings

No financial statement findings or questioned costs were reported.

Section III—Federal Award Findings and Questioned Costs

No federal award filings or questioned costs were reported.