SPECTRUM
YOUTH & FAMILY SERVICES

Spectrum Youth & Family Services, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022 and 2021

davis & hodgdon
CPAs

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 and 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Spectrum Youth & Family Services, Inc. and Subsidiary (a non-profit organization), which comprise the consolidated statement of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Spectrum Youth & Family Services, Inc. and Subsidiary as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Spectrum Youth & Family Services, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 June 28, 2023 on our consideration of Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary's internal control over financial reporting and compliance.

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
June 28, 2023

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the Years Ended September 30, 2022 and 2021

ASSETS	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 496,079	$ 352,494
Grants and contracts receivable	1,271,351	780,955
Promises to give, current portion	740,663	368,471
Prepaid expenses	68,442	47,092
Total current assets	2,576,535	1,549,012
PROPERTY AND EQUIPMENT, net	2,549,912	1,788,637
OTHER ASSETS		
Investments	4,445,784	5,347,179
Restricted cash	36,903	36,899
Promises to give, net of discount and current portion	674,166	125,000
Security deposits	7,750	7,750
Total other assets	5,164,603	5,516,828
Total assets	$ 10,291,050	$ 8,854,477
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 286,840	$ 213,955
Accrued payroll liabilities	259,257	275,998
Accrued vacation	192,900	165,000
Rent deposits	2,700	--
Contract liabilities	84,490	79,775
Total current liabilities	826,187	734,728
Total liabilities	826,187	734,728
NET ASSETS		
Without donor restrictions	6,445,114	6,408,576
With donor restrictions		
Restricted by time or purpose	2,629,277	1,320,701
Restricted in perpetuity	390,472	390,472
Total net assets	9,464,863	8,119,749
Total liabilities and net assets	$ 10,291,050	$ 8,854,477

See Independent Auditor’s 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, 2022 and 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Grants and contracts	$ 3,549,413	$ 3,357,791
Program fees	937,418	648,216
Contributions	2,436,607	2,681,741
Contributions of nonfinancial assets	73,759	78,840
Operating investment income	437,000	170,000
Rental income	41,647	26,517
Miscellaneous income	8,535	2,947
Total unrestricted revenues, gains and other support	7,484,379	6,966,052
Net assets released from restrictions	1,587,563	679,826
Total support, revenues and reclassifications	9,071,942	7,645,878
OPERATING EXPENDITURES		
Program services	6,672,154	5,892,996
Supporting activities		
Management and general	768,950	691,034
Fundraising	743,086	657,396
Total operating expenditures	8,184,190	7,241,426
Net income from operations	887,752	404,452
OTHER REVENUE		
Investment income (loss), net of operating transfer	(851,214)	319,689
Total other revenue	(851,214)	319,689
Change in net assets without donor restrictions	36,538	724,141
NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Contributions	2,956,101	445,375
Endowment earnings (loss)	(59,962)	116,610
Net assets released from restrictions	(1,587,563)	(679,826)
Change in net assets with donor restrictions	1,308,576	(117,841)
Total change in net assets	1,345,114	606,300
NET ASSETS - beginning of year	8,119,749	7,513,449
NET ASSETS - end of year	$ 9,464,863	$ 8,119,749

See Independent Auditor's Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONCOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Compensation				
Salaries and wages	$ 2,857,098	$ 454,747	$ 305,551	$ 3,617,396
Payroll taxes	215,997	34,379	25,531	275,907
Employee benefits	572,611	85,394	64,663	722,668
Total compensation	3,645,706	574,520	395,745	4,615,971
Other				
Professional services	1,805,907	66,003	75,083	1,946,993
Programs and client expense	367,674	20,281	171,234	559,189
Occupancy	341,284	3,911	1,606	346,801
Technology expense	157,564	37,308	35,474	230,346
Depreciation	117,256	4,985	2,850	125,091
Insurance	56,696	7,757	5,403	69,856
Office expenses	45,011	11,229	17,372	73,612
Miscellaneous	34,831	13,107	34,610	82,548
Travel	27,172	962	500	28,634
Food	43,149	18,714	1,130	62,993
Advertising	20,827	3,911	770	25,508
Conferences and meetings	9,077	6,262	1,309	16,648
Total other	3,026,448	194,430	347,341	3,568,219
Total expenses	$ 6,672,154	$ 768,950	$ 743,086	$ 8,184,190

See Independent Auditor’s Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2021

	Program Services	Management and General	Fundraising	Total
Compensation				
Salaries and wages	$ 2,536,268	$ 405,122	$ 268,630	$ 3,210,020
Payroll taxes	191,488	30,587	20,693	242,768
Employee benefits	525,456	86,222	58,906	670,584
Total compensation	3,253,212	521,931	348,229	4,123,372
Other				
Professional services	1,683,726	73,325	76,880	1,833,931
Programs and client expense	271,976	10,860	133,420	416,256
Occupancy	268,715	3,956	1,120	273,791
Technology expense	115,415	38,610	30,739	184,764
Depreciation	109,522	5,427	1,867	116,816
Insurance	50,274	7,179	5,050	62,503
Office expenses	47,599	11,241	20,528	79,368
Miscellaneous	20,573	9,791	37,629	67,993
Travel	10,963	960	118	12,041
Food	33,910	4,165	237	38,312
Advertising	19,637	1,652	1,187	22,476
Conferences and meetings	7,474	1,937	392	9,803
Total other	2,639,784	169,103	309,167	3,118,054
Total expenses	$ 5,892,996	$ 691,034	$ 657,396	$ 7,241,426

See Independent Auditor’s Report and Notes to Financial Statements.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,345,114	$ 606,300
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Depreciation	125,091	116,816
Net realized/unrealized loss (gain) on investments	554,933	(542,851)
Investment earnings reinvested	(80,757)	(63,448)
Changes in:		
Grants and contracts receivable	(490,396)	(150,728)
Promises to give	(921,358)	(3,471)
Prepaid expenses	(21,350)	(1,487)
Security deposits	--	(4,500)
Accounts payable	72,885	(2,990)
Accrued payroll liabilities	(16,741)	54,845
Accrued vacation	27,900	34,000
Rent deposits	2,700	--
Contract liabilities	4,715	35,007
Refundable advance	--	(16,000)
Net cash provided by operating activities	602,736	61,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,194,404)	(2,534,422)
Proceeds from sale of investments	2,621,623	2,506,439
Purchase of property and equipment	(886,366)	(179,409)
Net cash used by investing activities	(459,147)	(207,392)
Net change in cash, cash equivalents and restricted cash	143,589	(145,899)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	389,393	535,292
End of year	$ 532,982	389,393

See Independent Auditor's 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 and Franklin Counties, 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, 2022. 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.

Drop-in Centers

The Drop-in Centers help 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 $3,019,749 and $1,711,173 of net assets with donor restrictions at September 30, 2022 and 2021, 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, 2021, from which the summarized information was derived.

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

Recently adopted accounting standards

In August 2018, the FASB issued Accounting Standards Update (ASU 2018-13), Fair Value Measurements (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). This standard no longer requires the disclosure of the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy. For investments in certain entities that calculate net asset value, the requirement to disclose the estimated period of time over which the underlying assets might be liquidated is modified to only require disclosure if the investee has communicated the timing to the Organization or announced the timing publicly. Effective October 1, 2020, the Organization adopted the standard. 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.

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line on the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The adoption of this standard did not have a material impact on the Organization's financial statements.

Recently issued accounting standards

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). The standard provides that non-profit entities recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. Effective October 1, 2022, the Organization will be required to record lease assets and offsetting lease liabilities for all leasing arrangements with a term of more than twelve months. The adoption of the standard could have a material effect on the consolidated financial statements.

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.

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

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, 2022 and 2021. 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, 2022 and 2021 and there was no bad debt expense related to grants and contracts receivable or accounts receivable for the years ended September 30, 2022 and 2021.

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, 2022 and 2021.

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.

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

Investments (continued)

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.

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.

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

Fair value measurements (continued)

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 $195,600 and $165,000 at September 30, 2022 and 2021, respectively.

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.

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

Net asset classification (continued)

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.

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 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.

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.

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

Support and revenue (continued)

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.

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.

The Organization derives its program service revenues from counseling 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.

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, 2019. 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, 2022 and 2021.

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.

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

Expense allocation

The costs of providing the Organization’s various programs and supporting activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. The Consolidated 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.

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.

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

Endowment policies (continued)

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.

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.

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

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 $25,508 and $22,476 for the years ended September 30, 2022 and 2021, respectively

Reclassifications

Certain amounts for the year ended September 30, 2021 have been reclassified for comparative purposes to conform to the presentation used in the September 30, 2022 financial statements. The reclassifications have no effect on total net assets for the year ended September 30, 2021.

Subsequent events

Subsequent events have been evaluated through June 28, 2023 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 Statements of Financial Position, comprise the following at September 30:

	2022	2021
Financial assets, at year end:		
Cash - unrestricted	$ 496,079	$ 352,494
Grants and contracts receivable	1,271,351	780,955
Promises to give	1,414,829	493,471
Restricted cash - capital projects	--	--
Restricted cash - capital reserve	36,903	36,899
Less - donor and contractual restricted included in above amounts	(711,069)	(230,169)
Total financial assets available within one year	2,508,093	1,433,650
Liquidity resources:		
Investments	4,445,784	5,347,179
Less beneficial interest held by others	(46,358)	(56,525)
Less investments restricted in perpetuity	(390,472)	(390,472)
Line of credit (see Note 8.)	100,000	100,000
Total financial assets available and liquidity resources available within one year	$ 6,617,047	$ 6,433,832

The Organization 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:

	2022	2021
Cash and cash equivalents	$ 496,079	$ 352,494
Cash restricted for capital reserve	36,903	36,899
Total cash, cash equivalents and restricted cash	$ 532,982	$ 389,393

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 $937,418 and $648,216 for the years ended September 30, 2022 and 2021, respectively.

Note 5. Promises to Give

Substantially all unconditional promises to give at year-end are collectible over four years. Unconditional promises to give consisted of the following at September 30:

	2022	2021
Receivable in less than one year	$ 740,663	$ 368,471
Receivable in one to five years	674,166	125,000
Total promises to give	$ 1,414,829	$ 493,471

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 4.25% and 0.53% at September 30, 2022 and 2021, respectively. The discount on pledges receivable totaled $128,334 at September 30, 2022. The discount at September 30, 2021 was deemed to be immaterial; therefore, no discount to net present value was deemed necessary.

Note 5. Promises to Give (continued)

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, 2022 and 2021.

Future maturities of promises to give are as follows:

2023	$ 740,663
2024	186,326
2025	88,262
2026	84,663
2027	81,212
Thereafter	233,703
Total	$ 1,414,829

Note 6. Property and Equipment

Property and equipment consisted of the following at September 30:

	(Years)	2022	2021
Land	10 - 40	$ 289,065	$ 289,065
Buildings	15	746,625	746,625
Building improvements	5 - 25	1,916,881	1,896,530
Furniture and equipment	3 - 20	324,034	298,992
Vehicles	5 - 20	52,222	52,222
Leasehold improvements	25	57,625	32,788
Construction in progress		836,135	20,000
Total property and equipment		4,222,587	3,336,222
Less accumulated depreciation		(1,672,675)	(1,547,585)
Property and equipment, net		$ 2,549,912	$ 1,788,637

Depreciation expense totaled $125,091 and $116,816 for the years ended September 30, 2022 and 2021, respectively.

Note 7. Investments

Investments, at fair value, consisted of the following at September 30, 2022:

	Level 1	Level 3	Total
Cash and equivalents	$ 727,292	$ --	$ 727,292
Equities	3,407,913	--	3,407,913
Exchange traded funds	264,221	--	264,221
Vermont Community Foundation	--	46,358	46,358
Total investments	$ 4,399,426	$ 46,358	$ 4,445,784

Investments, at fair value, consisted of the following at September 30, 2021:

	Level 1	Level 3	Total
Cash and equivalents	$ 520,455	$ --	$ 520,455
Fixed income securities	91,392	--	91,392
Equities	3,532,173	--	3,532,173
Exchange traded funds	1,146,634	--	1,146,634
Vermont Community Foundation	--	56,525	56,525
Total investments	$ 5,290,654	$ 56,525	$ 5,347,179

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 $46,358 and $56,525 at September 30, 2022 and 2021, 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.

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

	2022	2021
Beginning balance	$ 5,347,179	$ 4,712,897
Total gains or losses included in statement of activities and changes in net assets	(474,176)	606,299
Purchases, sales, issuances, and settlements, net	(427,219)	27,983
Ending balance	$ 4,445,784	$ 5,347,179

Note 7. Investments (continued)

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

	2022	2021
Dividend and interest income	$ 129,446	$ 95,802
Net change in beneficial interest	(10,167)	11,118
Realized and unrealized gains (losses)	(545,171)	531,380
Total investment income (loss)	(425,892)	638,300
Management fees	(48,284)	(32,001)
Net investment income (loss)	$ (474,176)	$ 606,299

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

	2022	2021
Without donor restrictions:		
Operating	$ 437,000	$ 170,000
Non-operating	(851,214)	319,689
Subtotal - without donor restrictions	(414,214)	489,689
Endowment earnings	(59,962)	116,610
Total return (decline) on investments	$ (474,176)	$ 606,299

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 a Secured Overnight Financing Rate (SOFR). The interest rate was 5.54% at September 30, 2022. The available credit on the line was $100,000 at September 30, 2022 and 2021. There was no balance outstanding on the line at September 30, 2022 and 2021.

Note 9. Net Assets With Donor Restrictions

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

	2022	2021
Restricted by time or specific purpose:		
Pearl Street residence - capital and programs	$ 318,650	$ 328,650
RS Counseling building - capital and programs	1,560,000	--
Warming shelter	--	125,000
Multicultural youth	61,351	62,762
Unappropriated endowment earnings	112,826	172,788
St. Albans Drop-in Center	278,137	225,907
Other programs and future periods	298,313	405,594
Subtotal - restricted by time or specific purpose	2,629,277	1,320,701
Restricted in perpetuity	390,472	390,472
Total net assets with donor restrictions	$ 3,019,749	$ 1,711,173

Net assets released due to the satisfaction of time and program restrictions totaled $1,587,563 and $679,826 for the years ended September 30, 2022 and 2021, respectively.

Note 10. 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:

	2022	2021
Restricted by time or purpose	$ 112,826	$ 172,788
Restricted to be held in perpetuity	390,472	390,472
Total donor-restricted endowment funds	$ 503,298	$ 563,260

Changes in endowment net assets for the year ending September 30, 2022 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 172,788	$ 390,472
Investment return	(59,962)	--
Endowment net assets, end of year	$ 112,826	$ 390,472

Note 10. Endowment Net Assets (continued)

Changes in endowment net assets for the year ending September 30, 2021 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	$ 56,178	$ 390,472
Investment return	116,610	--
Endowment net assets, end of year	$ 172,788	$ 390,472

Note 11. Contributed Nonfinancial Assets

Contributed nonfinancial assets consisted of the following at September 30:

	2022	2021
Food, clothing, and program supplies	$ 33,020	$ 37,912
Empty Bowl donations	40,739	40,928
Total contributed nonfinancial assets	$ 73,759	$ 78,840

Unless otherwise noted, contributed nonfinancial assets did not have any donor-imposed restrictions. Contributed Empty Bowl donations were used as part of the annual Empty Bowl fundraiser. Contributed food, clothing, and program supplies were used in the following programs: Burlington Drop-In, the Youth Development Program, and St. Albans Drop-In. In valuing contributed nonfinancial assets, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Note 12. Operating Leases

In July 2019 the Organization entered into a two-year lease for facilities located at 22 Avenue C in Williston, Vermont. The lease was extended for two additional one-year periods through July 2023 and calls for minimum monthly rental payments of $2,250 for the first year, $2,318 for the second year, $2,812 for the third year, and $2,884 for the fourth year. Rent expense totaled $33,959 and $35,861 for the years ended September 30, 2022 and 2021, respectively.

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 was renewed for the additional one-year term. The lease expired in January 2022 and called for minimum monthly rental payments of $1,000 for the first year and $1,050 for the second year. In January 2022, the Organization entered into a month-to-month lease beginning February 1, 2022. The lease calls for minimum monthly payments of $1,102. Rent expense totaled $13,072 and $12,450 for the years ended September 30, 2022 and 2021, respectively.

Note 12. Operating Leases (continued)

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 expired in August 2021 and calls for minimum monthly rental payments of $1,000. The lease operated on a month-to-month basis until January 31, 2022. Rent expense totaled $4,000 and $12,000 for the years ended September 30, 2022 and 2021, respectively.

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 $6,485 and $6,645 for the years ended September 30, 2022 and 2021, 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. Rent expense, inclusive of additional charges, totaled $6,335 and $6,595 for the years ended September 30, 2022 and 2021, respectively.

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 expired in March 2021 and called for minimum monthly rental payments of $1,500. Rent expense totaled $7,500 for the year ended September 30, 2021.

In November 2020, the Organization entered into a three-year lease beginning March 1, 2021 for space located at 219-227 Lake Street in St. Albans, Vermont. The lease expires in December 2023 and calls for minimum monthly rental payments of $2,100 for the first year, increasing 3% each year. Rent expense totaled $25,704 and $16,800 for the years ended September 30, 2022 and 2021, respectively.

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 2021. The agreement expires in January 2026. Rent expense totaled $1,298 and $1,237 for the years ended September 30, 2022 and 2021, respectively.

In September 2021, the Organization entered into a two-year lease beginning September 1, 2021 for space located at 179 S Winooski Avenue in Burlington, Vermont. The lease expires in August 2023 and calls for minimum monthly rental payments of $2,000, increasing 3% after the first year. Rent expense totaled $24,060 and $2,000 for the years ended September 30, 2022 and 2021, respectively.

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:

2023	$	65,370
2024		39,161
2025		32,772
2026		30,340
Total	$	167,643

Note 12. Operating Leases (continued)

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 $665 and rent may be subsidized by the Vermont State Housing Authority for youth who meet certain income eligibility. Rental income under this program totaled $22,165 and $11,135 for the years ended September 30, 2022 and 2021, respectively.

In May 2004, the Organization entered into a seven-year lease agreement to rent facilities located on Pearl street in Burlington, Vermont to another non-profit 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 two additional one-year periods, now expiring on September 30, 2022. The agreement calls for monthly installments of $1,257 from July 2018 through June 2019 and $1,282 from July 2019 through September 2022. Rental income under this agreement totaled $15,382 for the years ended September 30, 2022 and 2021.

Note 13. Commitments and Contingencies

The Organization received direct federal grant funding totaling $973,427 and $983,833 during the years ended September 30, 2022 and 2021, respectively. This funding is 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 financial position of the Organization as of September 30, 2022 and 2021, or on the changes in their net assets for the years then ended.

Note 14. Investment in 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 a cumulative net investment in Spectrum Works, L3C of $852,957 and $659,035 to Spectrum Works, L3C at September 30, 2022 and 2021, respectively.

Note 15. 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 $57,374 and $52,583 for the years ended September 30, 2022 and 2021, respectively.

Note 16. 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 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 residential facilities 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.).

SUPPLEMENTAL INFORMATION

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

Federal Grantor/Pass Through Grantor/ Program Title	ALN	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	3H79T108115001S3	$ 973,427	$ 817,120
Total U.S. Department of Health and Human Services (Direct)			973,427	817,120
Pass-through programs:				
U.S. Department of Health and Human Services				
State of Vermont, Department of Health				
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	03420-08786	8,688	--
Immunization Cooperative Agreements	93.268	03420-08786 #1	403,360	--
Opioid State Targeted Response Grants	93.788	03420-09065	75,000	--
Opioid State Targeted Response Grants	93.788	03420-09016 #2	80,000	--
National Initiatives to Address Covid-19 Health Disparities	93.391	03420-09016	2,360	--
National Initiatives to Address Covid-19 Health Disparities	93.391	03420-09608	31,708	--
Vermont Overdose Date to Action	93.136	03420-09016	100,000	--
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-08942	59,108	--
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-09345	7,297	--
Block Grants for Prevention and Treatment of Substance Abuse	93.959	03420-09016 #2	160,000	--
Washington County Youth Service Bureau				
John H. Chaffee Foster Care Program for Successful Transition to Adulthood	93.674	N/A	296,780	--
U.S. Department of the Treasury				
State of Vermont, Agency of Human Services				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	49,973	--
U.S. Department of Housing and Urban Development				
State of Vermont, Agency of Human Services				
Community Development Block Grant	14.228	07110-IG-2020-St A	272,000	--
Corporation for National and Community Service				
Vermont Youth Development Corps				
AmeriCorps	94.006	N/A	9,088	--
Total pass-through federal expenditures			1,555,362	--
Total expenditures of federal awards			$2,528,789	$ 817,120

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2022

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.

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. and Subsidiary
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 consolidated financial statements of Spectrum Youth & Family Services, Inc. and Subsidiary (a nonprofit organization) which compromise the consolidated statement of financial position as of September 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Spectrum Youth & Family Services, Inc. and Subsidiary's consolidated 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 consolidated 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
June 28, 2023

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. and Subsidiary
Burlington, Vermont

Report on Compliance for Each Major Federal Program

Opinion on Each 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 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, 2022. Spectrum Youth & Family Services, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Spectrum Youth & Family Services, Inc. and Subsidiary 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 each major federal program. Our audit does not provide a legal determination of Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Spectrum Youth & Family Services, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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 Spectrum Youth & Family Services, Inc. and Subsidiary'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.

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.

Davis & Hodgdon Associates CPAs, PLC

Williston, Vermont
June 28, 2023

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 516?	No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.268	Immunization Cooperative Agreements
93.959	Substance Abuse Prevention & Treatment Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

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.