



FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2024 and 2023

With Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lund Family Center, Inc.

### Opinion

We have audited the accompanying financial statements of Lund Family Center, Inc. (Lund), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lund as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

### Basis for Opinion

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

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, Lund adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, during the year ended June 30, 2024. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with U.S. GAAS, we:

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

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

Board of Trustees  
Lund Family Center, Inc.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses - residential program is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary 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 supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
November 21, 2024  
Registration No. 92-0000278

**LUND FAMILY CENTER, INC.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,457,831	\$ 1,644,373
Accounts and grants receivable	1,216,071	1,214,308
Contributions receivable	186,250	115,750
Prepaid expenses and other assets	<u>114,583</u>	<u>101,018</u>
Total current assets	<b>2,974,735</b>	3,075,449
Property and equipment, net	<b>4,281,543</b>	4,360,167
Right-of-use (ROU) asset - operating	<b>1,581,959</b>	1,718,060
Note receivable	<b>466,008</b>	466,008
Assets limited as to use	<u><b>6,014,160</b></u>	<u>5,338,407</u>
Total assets	<u><b>\$ 15,318,405</b></u>	<u>\$ 14,958,091</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Current portion of long-term debt	\$ 513,963	\$ 202,396
Current portion of operating lease obligation	134,255	119,087
Accounts payable and accrued expenses	304,305	183,678
Accrued salaries and benefits	405,762	351,017
Deferred revenue	<u>-</u>	<u>19,137</u>
Total current liabilities	<b>1,358,285</b>	875,315
Long-term debt, net	<b>1,560,604</b>	2,066,696
Lease obligation - operating, net	<u><b>1,494,876</b></u>	<u>1,629,197</u>
Total liabilities	<u><b>4,413,765</b></u>	<u>4,571,208</u>
Net assets		
Net assets without donor restrictions	<b>9,357,875</b>	8,991,422
Net assets with donor restrictions	<u><b>1,546,765</b></u>	<u>1,395,461</u>
Total net assets	<u><b>10,904,640</b></u>	<u>10,386,883</u>
Total liabilities and net assets	<u><b>\$ 15,318,405</b></u>	<u>\$ 14,958,091</u>

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

**LUND FAMILY CENTER, INC.**

**Statements of Activities and Changes in Net Assets**

**Years Ended June 30, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Federal and state contracts and grants	\$ 8,487,866	\$ -	\$ 8,487,866	\$ 8,969,646	\$ -	\$ 8,969,646
Program service fees	340,340	-	340,340	380,221	-	380,221
Contributions and other grants	1,710,606	145,000	1,855,606	1,132,543	135,000	1,267,543
Miscellaneous	71,542	-	71,542	45,941	-	45,941
Net assets released from restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>167,500</u>	<u>(167,500)</u>	<u>-</u>
Total revenues and support	<u>10,735,354</u>	<u>20,000</u>	<u>10,755,354</u>	<u>10,695,851</u>	<u>(32,500)</u>	<u>10,663,351</u>
Expenses						
Program services						
Adoption	1,656,132	-	1,656,132	1,545,227	-	1,545,227
Child and family services	1,792,878	-	1,792,878	1,691,034	-	1,691,034
Residential and community treatment	<u>4,738,323</u>	<u>-</u>	<u>4,738,323</u>	<u>4,511,768</u>	<u>-</u>	<u>4,511,768</u>
Total program services	<u>8,187,333</u>	<u>-</u>	<u>8,187,333</u>	<u>7,748,029</u>	<u>-</u>	<u>7,748,029</u>
Supporting services						
General and administrative	2,178,742	-	2,178,742	1,958,334	-	1,958,334
Fundraising and development	<u>364,908</u>	<u>-</u>	<u>364,908</u>	<u>307,417</u>	<u>-</u>	<u>307,417</u>
Total supporting services	<u>2,543,650</u>	<u>-</u>	<u>2,543,650</u>	<u>2,265,751</u>	<u>-</u>	<u>2,265,751</u>
Total expenses	<u>10,730,983</u>	<u>-</u>	<u>10,730,983</u>	<u>10,013,780</u>	<u>-</u>	<u>10,013,780</u>
Change in net assets from operations	<u>4,371</u>	<u>20,000</u>	<u>24,371</u>	<u>682,071</u>	<u>(32,500)</u>	<u>649,571</u>
Other gains						
Contributions for long-term purposes	-	-	-	-	2,000	2,000
Net investment return	362,082	131,304	493,386	196,087	125,847	321,934
Change in fair value of interest rate swap agreement	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,059</u>	<u>-</u>	<u>29,059</u>
Net other gains	<u>362,082</u>	<u>131,304</u>	<u>493,386</u>	<u>225,146</u>	<u>127,847</u>	<u>352,993</u>
Change in net assets	<u>366,453</u>	<u>151,304</u>	<u>517,757</u>	<u>907,217</u>	<u>95,347</u>	<u>1,002,564</u>
Net assets, beginning of year	<u>8,991,422</u>	<u>1,395,461</u>	<u>10,386,883</u>	<u>8,084,205</u>	<u>1,300,114</u>	<u>9,384,319</u>
Net assets, end of year	<u>\$ 9,357,875</u>	<u>\$ 1,546,765</u>	<u>\$ 10,904,640</u>	<u>\$ 8,991,422</u>	<u>\$ 1,395,461</u>	<u>\$ 10,386,883</u>

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

**LUND FAMILY CENTER, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2024**

	Program Services				Supporting Services			Total
	Adoption	Child and Family Services	Residential and Community Treatment	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	
Expenses								
Salaries and wages	\$ 1,086,398	\$1,169,019	\$2,884,860	\$ 5,140,277	\$ 1,178,497	\$ 215,195	\$1,393,692	\$ 6,533,969
Payroll taxes and benefits	277,389	298,707	738,285	1,314,381	302,813	54,344	357,157	1,671,538
Audit and legal	1,096	7,960	-	9,056	132,777	-	132,777	141,833
Dues and fees	48,964	14,488	3,015	66,467	8,165	3,885	12,050	78,517
Equipment	13,108	2,474	17,728	33,310	2,132	259	2,391	35,701
Facilities	58,065	140,285	252,645	450,995	116,635	16,887	133,522	584,517
Insurance	4,392	11,318	38,539	54,249	30,724	1,277	32,001	86,250
Interest	-	3,029	83,957	86,986	3,475	-	3,475	90,461
Other expenses	5,542	163	982	6,687	19,325	2,287	21,612	28,299
Other professional fees	58,011	33,130	268,615	359,756	267,972	24,310	292,282	652,038
Participant assistance	27,707	42,793	55,441	125,941	-	1,098	1,098	127,039
Postage	6,703	44	393	7,140	879	2,249	3,128	10,268
Printing and advertising	100	-	491	591	1,037	34,740	35,777	36,368
Supplies	13,065	37,484	159,771	210,320	35,414	3,133	38,547	248,867
Telephone	7,287	2,305	6,454	16,046	44,387	522	44,909	60,955
Travel	44,286	13,872	28,761	86,919	15,488	3,553	19,041	105,960
Depreciation	<u>4,019</u>	<u>15,807</u>	<u>198,386</u>	<u>218,212</u>	<u>19,022</u>	<u>1,169</u>	<u>20,191</u>	<u>238,403</u>
Total expenses	<u>\$ 1,656,132</u>	<u>\$1,792,878</u>	<u>\$4,738,323</u>	<u>\$ 8,187,333</u>	<u>\$ 2,178,742</u>	<u>\$ 364,908</u>	<u>\$2,543,650</u>	<u>\$10,730,983</u>

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

**LUND FAMILY CENTER, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2023**

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

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



**LUND FAMILY CENTER, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 517,757	\$ 1,002,564
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	244,262	249,520
Unrealized and realized gain on investments	(268,698)	(236,109)
Contributions restricted for long-term purposes	-	(2,000)
Change in fair value of interest rate swap agreement	-	(29,059)
Change in right of use operating asset, net of operating lease obligation	16,948	7,412
Changes in operating assets and liabilities		
Accounts and grants receivable	(1,763)	231,244
Contributions receivable	(70,500)	(4,500)
Prepaid assets and other assets	(13,565)	47,898
Accounts payable and accrued expenses	120,627	(17,960)
Accrued salaries and benefits	54,745	67,856
Deferred revenue	(19,137)	19,137
Net cash provided by operating activities	<u>580,676</u>	<u>1,345,903</u>
Cash flows from investing activities		
Purchases of investments	(1,097,712)	(6,305,329)
Proceeds from sale of investments	690,657	3,136,958
Acquisition of property and equipment	<u>(157,770)</u>	<u>(116,594)</u>
Net cash used by investing activities	<u>(564,825)</u>	<u>(3,284,965)</u>
Cash flows from financing activities		
Receipt of contributions restricted by donors for long-term purposes	-	2,000
Principal payments on long-term debt obligations	<u>(202,393)</u>	<u>(191,764)</u>
Net cash used by financing activities	<u>(202,393)</u>	<u>(189,764)</u>
Net decrease in cash and cash equivalents	(186,542)	(2,128,826)
Cash and cash equivalents, beginning of year	<u>1,644,373</u>	<u>3,773,199</u>
Cash and cash equivalents, end of year	<u>\$ 1,457,831</u>	<u>\$ 1,644,373</u>
Supplemental disclosure:		
Acquisition of property and equipment with issuance of long-term debt	<u>\$ -</u>	<u>\$ 24,936</u>

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

# LUND FAMILY CENTER, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### Organization

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

#### 1. Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, which includes accounts receivable and the Organization's note receivable. The adoption of Topic 326 during the year ended June 30, 2024 did not have a material impact on the financial statements of the Organization as a significant portion of the payors to the Organization either have the full faith and backing of the U.S. government or are credit worthy with limited to no credit risk associated with them. Other than accounts receivable and the note receivable, there are no other financial assets that are measured at amortized cost.

### Use of Estimates

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

### Basis of Accounting and Presentation

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

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Lund. These net assets may be used at the discretion of management and the Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Lund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

## **LUND FAMILY CENTER, INC.**

### **Notes to Financial Statements**

**June 30, 2024 and 2023**

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

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

Unconditional contributions are recognized as contributions receivable at their net present value when pledged. At June 30, 2024 and 2023, all contributions receivable are expected to be collected within one year and are included within contributions receivable within the statements of financial position.

#### **Cash and Cash Equivalents**

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

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

#### **Accounts and Grants Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts after considering each category of receivable individually and estimates an allowance for credit losses according to the nature of the receivable. Allowances for credit losses are estimated from historical performance projected trends, creditworthiness and changes to payment terms and reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and grants receivable. Based on management's assessment, no allowance for credit losses was required at June 30, 2024 and 2023. Accounts and grants receivable amounted to \$1,216,071, \$1,214,308 and \$1,440,052 as of June 30, 2024, 2023 and 2022, respectively.

# LUND FAMILY CENTER, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### **Note Receivable**

The Organization has a note receivable due from a third party in the amount of \$466,008 which is stated at the amount the Organization expects to collect. The entire principal balance of the note is due upon maturity in June 2032. The note bears interest at 6% annually and monthly payments of interest only are due on the first day of each month. The note receivable is stated at the amount management expects to collect from outstanding balances and is secured by the joint and several personal guarantees of two principals from the third party. Management's evaluation of the adequacy of the allowance for credit loss for the note receivable is based on past experience, known inherent risks, and situations that may affect the third party. Based on management's assessment, no allowance for credit loss was required at June 30, 2024 and 2023.

### **Property and Equipment**

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

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

### **Leases**

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

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

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

Fixed, or in-substance fixed, lease payments on operating leases are recognized over the expected term of the lease on a straight-line basis. Variable lease expenses that are not considered fixed, or in-substance fixed, are recognized as incurred. Fixed and variable lease expense on operating leases is recognized within facilities expense in the statements of functional expenses. Finance lease ROU asset amortization and interest costs are recorded within depreciation and interest in the statements of activities and changes in net assets. The Organization has elected the short-term lease exemption and, therefore, does not recognize a ROU asset or corresponding lease obligation for lease arrangements with an original term of 12 months or less.

**Revenue Recognition**

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

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

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations are satisfied over time when services are provided. The Organization measures the performance obligation from when the Organization begins to provide services to a client to the point when it is no longer required to provide services to that client, which is generally at the time of DHHS and the Treasurer's Office notification to the Organization. Total revenue recognized over time for the years ended June 30, 2024 and 2023 was \$6,148,216 and \$6,595,433, respectively. Revenue for performance obligations related to services around finalization of adoptions which are satisfied at a point in time are based upon the stated contract price for the agreed-upon performance obligation and were \$459,577 and \$333,332, respectively, for the years ended June 30, 2024 and 2023.

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

# **LUND FAMILY CENTER, INC.**

## **Notes to Financial Statements**

**June 30, 2024 and 2023**

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

### **Investments and Assets Limited as to Use**

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

Lund reports investments and assets limited as to use at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

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

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

### **Deferred Financing Costs**

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

### **Functional Allocation of Expenses**

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

### **Income Taxes**

Lund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income tax incurred by Lund for the years ended June 30, 2024 and 2023. Management has evaluated Lund's tax positions and concluded Lund has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to, or disclosure within, the accompanying financial statements.

# LUND FAMILY CENTER, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, Lund has considered transactions or events occurring through November 21, 2024, which is the date the financial statements were available to be issued.

### 2. Availability and Liquidity of Financial Assets

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

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

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

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,457,831	\$ 1,644,373
Accounts and grants receivable	1,216,071	1,214,308
Contributions receivable	<u>186,250</u>	<u>115,750</u>
Total current financial assets	2,860,152	2,974,431
Less net assets with donor restrictions temporary in nature	<u>(129,036)</u>	<u>(109,036)</u>
Financial assets available to meet general expenditure within one year	\$ <u>2,731,116</u>	\$ <u>2,865,395</u>

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

Lund has long-term and short-term Board-designated investments (Note 4) that could be available upon approval by the Board which are excluded from the table above. The long-term investments without donor-imposed restrictions are to act as endowment funds. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Trustees. Such assets are excluded from the table above.

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

**3. Property and Equipment**

Property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 233,177	\$ 233,177
Buildings and improvements	6,537,420	6,457,446
Furniture and equipment	355,460	277,664
Vehicles	<u>126,810</u>	<u>126,810</u>
	<b>7,252,867</b>	<b>7,095,097</b>
Less accumulated depreciation	<u>2,971,324</u>	<u>2,734,930</u>
Property and equipment, net	<u>\$ 4,281,543</u>	<u>\$ 4,360,167</u>

**4. Assets Limited as to Use**

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 70,905	\$ 3,318,725
U.S. Treasury notes	291,202	-
Certificates of deposit	180,000	-
Exchange traded funds	-	944,912
Equities	1,539,853	645,898
Mutual funds	3,616,134	-
Fixed income	<u>316,066</u>	<u>428,872</u>
	<b>\$ 6,014,160</b>	<b>\$ 5,338,407</b>

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

	<u>2024</u>	<u>2023</u>
Designated by the Board		
Short-term investment	\$ 3,513,057	\$ 3,140,826
Long-term investment	1,083,374	911,156
Funds with donor restrictions		
Long-term investment	<u>1,417,729</u>	<u>1,286,425</u>
	<b>\$ 6,014,160</b>	<b>\$ 5,338,407</b>

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



# LUND FAMILY CENTER, INC.

## Notes to Financial Statements

June 30, 2024 and 2023

### 5. Fair Value Measurement

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

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

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

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

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. Lund did not have any Level 3 assets or liabilities as of June 30, 2024 and 2023.

Assets measured at fair value on a recurring basis as of June 30, 2024 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Assets Whose Use is Limited			
Cash and cash equivalents	\$ 70,905	\$ -	\$ 70,905
U.S. Treasury notes	291,202	-	291,202
Certificates of deposit	180,000	-	180,000
Equities	1,539,853	-	1,539,853
Mutual funds	3,616,134	-	3,616,134
Fixed income	-	316,066	316,066
Total investments	<u>\$ 5,698,094</u>	<u>\$ 316,066</u>	<u>\$ 6,014,160</u>

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

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

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

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

**6. Sale-leaseback, ROU Asset and Lease Obligation**

On June 9, 2022, Lund executed a purchase and sale agreement with a third party to sell the property at 50 Joy Drive in South Burlington, Vermont and Lund leases the property back from the buyer. As part of the agreement, Lund financed \$466,008 and has recorded a note receivable on the statements of financial position, which represents the amount due from the third party in June 2032.

In June 2022, the Organization entered into an operating lease for space in South Burlington, Vermont. The lease calls for monthly payments ranging from \$20,667 to \$24,699 through June 2032. Upon expiration of the initial lease term, the lease will automatically extend for consecutive one-year terms unless Lund submits a written notice of termination. Lund has not considered the lease extensions in determining the ROU asset and lease obligation. Interest has been imputed on the operating lease at 8% annually calculated monthly. As of the year ended June 30, 2024 and 2023, the weighted average remaining lease term is 8 and 9 years. The weighted average discount rate at June 30, 2024 and 2023 was 8%. Total operating leases costs for the years ended June 30, 2024 and 2023 were \$307,085 and \$270,812, respectively, and are included within facilities in the statements of functional expenses. Cash paid for operating leases were \$252,960 and \$248,000, respectively, for the years ended June 30, 2024 and 2023.

The future maturities of the lease obligation is as follows:

2025	\$	258,019
2026		263,180
2027		268,443
2028		273,812
2029		279,288
Thereafter		<u>871,763</u>
		2,214,505
Less imputed interest expense		<u>(585,374)</u>
Lease obligation - operating	\$	<u>1,629,131</u>

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

**7. Long-Term Debt Obligations**

Lund had the following long-term debt obligations:

	<u>2024</u>	<u>2023</u>
<p>Vermont Economic Development Authority (VEDA) Series 2007D bonds held by TD Bank; payable in monthly principal and interest installments of \$5,668, due April 2025. Interest is based on a variable rate of 69% of the total of the Federal Home Loan Bank of Boston (FHLBB) Five Year Advance Rate plus 2.175% (3.624% at June 30, 2024). At the date of maturity, Lund may extend the bonds for one additional five-year term; collateralized by specific real estate.</p>	\$ 355,988	\$ 409,678
<p>VEDA Series 2007E bonds held by TD Bank; payable in monthly installments ranging from \$9,612 to \$20,876 through May 2033. The bonds bear a variable interest rate at 69% of the total of the FHLBB Five Year Advance Rate plus 2.175% (4.199% at June 30, 2024); collateralized by specific real estate.</p>	1,712,538	1,855,092
<p>Note payable to Toyota Motor Credit Corporation, payable in monthly installments totaling \$551, including interest at 2.9%, through June 2026.</p>	<u>12,814</u>	<u>18,963</u>
	<b>2,081,340</b>	2,283,733
Less current portion	513,963	202,396
Less unamortized deferred financing costs	<u>6,773</u>	<u>14,641</u>
Long-term debt, net	<b><u>\$ 1,560,604</u></b>	<b><u>\$ 2,066,696</u></b>

Maturities of long-term debt are as follows:

2025	\$ 513,963
2026	225,624
2027	231,593
2028	244,765
2029	258,756
Thereafter	<u>606,639</u>
Total	<b><u>\$ 2,081,340</u></b>

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

Interest expense charged to operations, including amortization of deferred financing costs of \$7,868, was \$90,461 and \$121,548 during the years ended June 30, 2024 and 2023, respectively. Cash paid for interest approximated interest expense in 2024 and 2023.

**8. Net Assets**

Net assets without donor restrictions were as follows:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 4,761,444	\$ 4,939,440
Short-term Board-designated funds	3,513,057	3,140,826
Board-designated endowment funds	<u>1,083,374</u>	<u>911,156</u>
	<u>\$ 9,357,875</u>	<u>\$ 8,991,422</u>

Net assets with donor restrictions were as follows:

	<u>2024</u>	<u>2023</u>
Funds maintained in perpetuity:		
Income to support general operations	\$ <u>1,024,337</u>	\$ <u>1,024,337</u>
Funds maintained with donor restrictions temporary in nature:		
Accumulated earnings on funds maintained in perpetuity	393,392	262,088
Other restrictions		
Technology	19,713	19,713
Adoption	109,323	39,323
Time restriction	<u>-</u>	<u>50,000</u>
Total funds maintained with donor restrictions temporary in nature	<u>522,428</u>	<u>371,124</u>
Total net assets with donor restrictions	<u>\$ 1,546,765</u>	<u>\$ 1,395,461</u>

**9. Endowment**

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

## **LUND FAMILY CENTER, INC.**

### **Notes to Financial Statements**

**June 30, 2024 and 2023**

#### **Interpretation of Relevant Law**

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

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

- (1) The duration and preservation of the fund;
- (2) The purposes of Lund and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of Lund; and
- (7) The investment policies of Lund.

#### **Return Objectives and Risk Parameters**

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

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

**Spending Policy**

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

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires Lund to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions with donor-imposed restrictions to be maintained in perpetuity and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. Lund has a policy that permits spending from underwater endowment funds, unless specifically prohibited by the donor or relevant laws and regulations. Any deficiencies are reported in net assets with donor restrictions. There were no deficiencies of this nature as of June 30, 2024 and 2023.

**Endowment Composition and Changes in Endowment**

The endowment net asset composition by type of fund as of June 30, 2024 was as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Donor-restricted endowment funds	\$ -	\$ 1,417,729	\$ 1,417,729
Board-designated endowment funds	<u>1,083,374</u>	<u>-</u>	<u>1,083,374</u>
	<b><u>\$ 1,083,374</u></b>	<b><u>\$ 1,417,729</u></b>	<b><u>\$ 2,501,103</u></b>

The changes in endowment net assets for the year ended June 30, 2024 were as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, June 30, 2023	\$ 911,156	\$ 1,286,425	\$ 2,197,581
Contributions	8,177	-	8,177
Transfer to undesignated net assets	(5,355)	-	(5,355)
Investment return	<u>169,396</u>	<u>131,304</u>	<u>300,700</u>
Endowment net assets, June 30, 2024	<b><u>\$ 1,083,374</u></b>	<b><u>\$ 1,417,729</u></b>	<b><u>\$ 2,501,103</u></b>

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

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

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

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

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

**10. Significant Concentration**

Lund's primary revenue sources are contracts with the State of Vermont and funding by federal and state grants, which collectively account for approximately 79% and 84% of total revenue for the years ended June 30, 2024 and 2023, respectively.

**11. Retirement Plans**

Lund sponsors a tax-sheltered defined contribution annuity plan (the Plan) under the provisions of Section 403(b) of the Internal Revenue Code. The Plan covers substantially all employees who meet certain minimum eligibility requirements. Lund contributes to the Plan on a discretionary basis. During the years ended June 30, 2024 and 2023, total contributions to the Plan were \$60,455 and \$97,976, respectively.

**LUND FAMILY CENTER, INC.**

**Notes to Financial Statements**

**June 30, 2024 and 2023**

**12. Pandemic Relief Funding**

During 2024, the Organization applied for the Employee Retention Tax Credit (ERTC) based on eligible compensation and qualifying expenses paid during the first, second and third quarters of 2021. The Organization is currently expecting to receive approximately \$2,569,000 based on amended tax filings for the ERTC. The Organization is uncertain whether the ERTC funds will be received and as a result, the Organization has not recognized any portion of the funds in the statement of activities and changes in net assets for the year ended June 30, 2024.

During 2023, the Organization recognized \$39,442 in American Rescue Plan Act Child Care Stabilization Sub-grants. The revenue is included with federal and state contracts and grants in the statements of activities and changes in net assets.

Additionally, during 2023, the Organization recognized \$186,000 in Vermont Premium Pay grant funding. The revenue is included with federal and state contracts and grants in the statement of activities and changes in net assets.



## **SUPPLEMENTARY INFORMATION**

LUND FAMILY CENTER, INC.

Schedule of Revenues and Expenses - Residential Program

Year Ended June 30, 2024

Revenues	
Federal and state contracts and grants	\$ 3,781,198
Contributions and other grants	9,020
Miscellaneous	<u>1,652</u>
	<u>3,791,870</u>
Expenses	
Salaries and wages	2,089,690
Payroll taxes and benefits	537,993
Supplies	139,417
Participant assistance	52,792
Facilities	546,273
Travel	13,779
Equipment	5,322
Printing and advertising	259
Telephone	1,808
Staff development and training	3,699
Other professional fees	256,667
Postage	75
Agency costs	855,341
Other expenses	<u>801</u>
	<u>4,503,916</u>
	<u>\$ (712,046)</u>