



SPECTRUM
YOUTH & FAMILY SERVICES

**Spectrum Youth & Family Services, Inc.
and Subsidiary**

CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2025 and 2024


davis & hodgdon
CPAs

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 and 2024

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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 statements of financial position as of September 30, 2025 and 2024, 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, 2025 and 2024, 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 opinion.

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.

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

Davis Holzner America CPAs, PC

Williston, Vermont
April 23, 2026

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2025 and 2024

ASSETS	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 345,024	\$ 681,540
Grants and contracts receivable	894,851	895,357
Promises to give, current portion	532,900	585,265
Prepaid expenses	<u>56,668</u>	<u>58,969</u>
Total current assets	<u>1,829,443</u>	<u>2,221,131</u>
PROPERTY AND EQUIPMENT, net	<u>3,324,235</u>	<u>2,854,980</u>
OTHER ASSETS		
Investments	5,710,365	5,363,886
Restricted cash	36,914	36,910
Promises to give, net of discount and current portion	886,734	1,156,357
Right-of-use asset, operating leases	285,287	165,606
Security deposits	<u>6,750</u>	<u>6,750</u>
Total other assets	<u>6,926,050</u>	<u>6,729,509</u>
Total assets	<u>\$ 12,079,728</u>	<u>\$ 11,805,620</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 117,055	\$ 49,764
Accrued payroll liabilities	252,288	302,430
Accrued vacation	260,354	207,916
Current portion of obligations under operating leases	104,492	91,105
Contract liabilities	<u>132,262</u>	<u>136,941</u>
Total current liabilities	<u>866,451</u>	<u>788,156</u>
NON-CURRENT LIABILITIES		
Rent deposits	2,700	2,700
Obligations under operating leases, net of current	<u>181,360</u>	<u>78,477</u>
Total non-current liabilities	<u>184,060</u>	<u>81,177</u>
Total liabilities	<u>1,050,511</u>	<u>869,333</u>
NET ASSETS		
Without donor restrictions	6,493,588	6,699,076
With donor restrictions		
Restricted by time or purpose	4,145,157	3,846,739
Restricted in perpetuity	<u>390,472</u>	<u>390,472</u>
Total net assets	<u>11,029,217</u>	<u>10,936,287</u>
Total liabilities and net assets	<u>\$ 12,079,728</u>	<u>\$ 11,805,620</u>

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, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Grants and contracts	\$ 3,423,168	\$ 3,433,564
Program fees	831,756	949,693
Contributions	2,843,728	2,713,661
Contributions of nonfinancial assets	66,139	67,533
Operating investment income	191,000	350,000
Rental income	104,037	75,769
Miscellaneous income	<u>5,380</u>	<u>10,407</u>
Total unrestricted revenues, gains and other support	7,465,208	7,600,627
Net assets released from restrictions	<u>1,572,402</u>	<u>1,109,008</u>
Total support, revenues and reclassifications	<u>9,037,610</u>	<u>8,709,635</u>
OPERATING EXPENDITURES		
Program services	7,972,067	7,290,677
Supporting activities		
Management and general	989,873	964,078
Fundraising	<u>787,572</u>	<u>804,549</u>
Total operating expenditures	<u>9,749,512</u>	<u>9,059,304</u>
Net loss from operations	<u>(711,902)</u>	<u>(349,669)</u>
OTHER REVENUE		
Gain on disposal of property and equipment	302,717	1,000
Investment income, net of operating transfer	<u>203,697</u>	<u>497,622</u>
Total other revenue	<u>506,414</u>	<u>498,622</u>
Change in net assets without donor restrictions	<u>(205,488)</u>	<u>148,953</u>
NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Contributions	1,808,795	1,445,137
Endowment earnings	62,025	142,479
Net assets released from restrictions	<u>(1,572,402)</u>	<u>(1,109,008)</u>
Change in net assets with donor restrictions	<u>298,418</u>	<u>478,608</u>
Total change in net assets	<u>92,930</u>	<u>627,561</u>
NET ASSETS - beginning of year	<u>10,936,287</u>	<u>10,308,726</u>
NET ASSETS - end of year	<u>\$ 11,029,217</u>	<u>\$ 10,936,287</u>

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, 2025**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation				
Salaries and wages	\$ 4,153,681	\$ 561,995	\$ 314,760	\$ 5,030,436
Payroll taxes	302,348	41,117	23,028	366,493
Employee benefits	<u>1,085,744</u>	<u>157,147</u>	<u>90,105</u>	<u>1,332,996</u>
Total compensation	<u>5,541,773</u>	<u>760,259</u>	<u>427,893</u>	<u>6,729,925</u>
Other				
Professional services	582,697	103,190	48,575	734,462
Programs and client expense	613,175	18,434	195,145	826,754
Occupancy	542,968	5,620	1,404	549,992
Technology expense	173,436	37,519	53,125	264,080
Depreciation	198,750	475	1,147	200,372
Insurance	71,224	7,885	4,670	83,779
Office expenses	46,172	9,530	16,795	72,497
Miscellaneous	44,820	18,427	35,970	99,217
Travel	55,920	7,215	478	63,613
Food	81,706	19,277	1,847	102,830
Advertising	15,341	933	264	16,538
Conferences and meetings	<u>4,085</u>	<u>1,109</u>	<u>259</u>	<u>5,453</u>
Total other	<u>2,430,294</u>	<u>229,614</u>	<u>359,679</u>	<u>3,019,587</u>
Total expenses	<u>\$ 7,972,067</u>	<u>\$ 989,873</u>	<u>\$ 787,572</u>	<u>\$ 9,749,512</u>

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, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation				
Salaries and wages	\$ 3,572,496	\$ 550,276	\$ 338,528	\$ 4,461,300
Payroll taxes	241,553	37,207	22,889	301,649
Employee benefits	<u>868,159</u>	<u>140,552</u>	<u>74,879</u>	<u>1,083,590</u>
Total compensation	<u>4,682,208</u>	<u>728,035</u>	<u>436,296</u>	<u>5,846,539</u>
Other				
Professional services	744,490	87,210	73,387	905,087
Programs and client expense	710,074	32,018	173,548	915,640
Occupancy	435,188	9,750	3,313	448,251
Technology expense	155,257	47,709	53,961	256,927
Depreciation	180,059	2,440	1,785	184,284
Insurance	76,926	9,783	6,287	92,996
Grant subawards	92,469	--	--	92,469
Office expenses	43,368	9,668	22,759	75,795
Miscellaneous	30,318	14,599	29,121	74,038
Travel	60,509	1,416	194	62,119
Food	64,188	16,386	2,336	82,910
Advertising	11,691	--	--	11,691
Conferences and meetings	<u>3,932</u>	<u>5,064</u>	<u>1,562</u>	<u>10,558</u>
Total other	<u>2,608,469</u>	<u>236,043</u>	<u>368,253</u>	<u>3,212,765</u>
Total expenses	<u>\$ 7,290,677</u>	<u>\$ 964,078</u>	<u>\$ 804,549</u>	<u>\$ 9,059,304</u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 92,930	\$ 627,561
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	200,372	184,284
Net realized/unrealized gain on investments	(385,927)	(928,350)
Investment earnings reinvested	(70,795)	(61,751)
Operating leases	(3,411)	1,140
Changes in:		
Grants and contracts receivable	506	416,399
Promises to give	321,988	(278,490)
Prepaid expenses	2,301	3,333
Security deposits	--	1,000
Accounts payable	67,291	(117,808)
Accrued payroll liabilities	(50,142)	66,965
Accrued vacation	52,438	21,423
Contract liabilities	(4,679)	(5,170)
	(79,845)	(69,464)
Net cash used by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,996,287)	(1,557,332)
Proceeds from sale of investments	3,106,530	1,867,821
Purchase of property and equipment	(1,000,773)	(21,674)
Proceeds on disposal of property and equipment	633,863	--
	(256,667)	288,815
Net cash provided (used) by investing activities		
Net change in cash, cash equivalents and restricted cash	(336,512)	219,351
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	718,450	499,099
End of year	\$ 381,938	718,450

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

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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, 2025 and 2024. 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. Detail Works closed in September 2025 (see Note 18.).

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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 \$4,535,629 and \$4,237,211 of net assets with donor restrictions at September 30, 2025 and 2024, 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, 2024, from which the summarized information was derived.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Recently adopted accounting standards

Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments, Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326), which was effective for the Organization on October 1, 2023. This standard addresses measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to estimate credit losses. The adoption of this standard did not have a material impact on the Organization's 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.

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, 2025 and 2024. 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, 2025 and 2024 and there was no bad debt expense related to grants and contracts receivable or accounts receivable for the years ended September 30, 2025 and 2024.

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, 2025 and 2024.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Property and equipment

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

Investments

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

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

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

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

Fair value measurements

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

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Fair value measurements (continued)

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

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

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

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

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

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

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

Accrued compensated absences

The Organization provides each employee with paid time off compensation hours, which are accumulated on a pro-rata basis as actual hours are worked. Compensated absences accrue when amounts can reasonably be estimated, and payment of compensation is probable. Accrued compensated absences totaled \$260,354 and \$207,916 at September 30, 2025 and 2024, respectively.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Contract liabilities

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

Right-of-use asset and lease obligations

The Organization leases space at several locations and also leases several copiers. The determination of whether an arrangement is a lease is made at the inception of the lease. Under Topic 842 (see page 11), a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Lease assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free rate based on the information available at lease commencement. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease assets also include any lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately, with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, the Organization accounts for the lease and non-lease components as a single lease. Additionally, for certain building and equipment leases, the Organization applies a portfolio approach to account for the operating lease assets and liabilities.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Net asset classification

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

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

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

Support and revenue

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

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.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Support and revenue (continued)

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

Contributions of non-cash assets are recorded at their fair values in the period received. Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals who possess 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, 2022. 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, 2025 and 2024.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

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.

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.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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

Endowment policies (continued)

Net assets with donor restrictions may consist of irrevocable charitable trusts, lead trusts, restricted contributions receivable, and donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted net assets contributed to an endowment fund represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

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

Endowment policies - interpretation of relevant law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions.

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

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.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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 \$16,538 and \$11,691 for the years ended September 30, 2025 and 2024, respectively

Reclassifications

Certain amounts for the year ended September 30, 2024 have been reclassified for comparative purposes to conform to the presentation used in the September 30, 2025 financial statements. The reclassifications have no effect on total net assets for the year ended September 30, 2024.

Subsequent events

Subsequent events have been evaluated through April 23, 2026, which is the date the financial statements were issued.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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:

	<u>2025</u>	<u>2024</u>
Financial assets, at year end:		
Cash - unrestricted	\$ 345,024	\$ 681,540
Grants and contracts receivable	894,851	895,357
Promises to give	532,900	585,265
Restricted cash - capital reserve	36,914	36,910
Less - donor and contractual restricted included in above amounts	<u>(36,914)</u>	<u>(36,910)</u>
Total financial assets available within one year	1,772,775	2,162,162
Liquidity resources:		
Investments	5,710,365	5,363,886
Less beneficial interest held by others	(65,473)	(59,514)
Less investments restricted in perpetuity	(390,472)	(390,472)
Line of credit (see Note 8.)	<u>700,000</u>	<u>700,000</u>
Total financial assets available and liquidity resources available within one year	<u>\$ 7,727,195</u>	<u>\$ 7,776,062</u>

Grants receivable are subject to contractual obligations with funders but are expected to be collected within one year. The Organization also has the ability to borrow against its investment portfolio at a percentage that fluctuates as stock prices move. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come 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:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 345,024	\$ 681,540
Cash restricted for capital reserve	<u>36,914</u>	<u>36,910</u>
Total cash, cash equivalents and restricted cash	<u>\$ 381,938</u>	<u>\$ 718,450</u>

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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. Based on the Organization's performance history, there are no variable consideration allowances recorded at September 30, 2025 and 2024.

Disaggregation of revenue from contracts with customers

The Organization's revenue based on the satisfaction of performance obligations over time totaled \$831,756 and \$949,693 for the years ended September 30, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Receivable in less than one year	\$ 532,900	\$ 585,265
Receivable in one to five years	<u>886,734</u>	<u>1,156,357</u>
Total promises to give	<u>\$ 1,419,634</u>	<u>\$ 1,741,622</u>

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 5. Promises to Give (continued)

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 3.74% and 3.66% at September 30, 2025 and 2024, respectively. The discount on pledges receivable totaled \$112,866 and \$158,043 at September 30, 2025 and 2024, respectively

Based on 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, 2025 and 2024.

Future maturities of promises to give are as follows:

2026	\$ 532,900
2027	351,068
2028	198,666
2029	173,545
2030	83,228
Thereafter	<u>80,227</u>
Total	<u>\$ 1,419,634</u>

Note 6. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>(Years)</u>	<u>2025</u>	<u>2024</u>
Land	N/A	\$ 52,925	\$ 289,065
Buildings	25	2,749,788	2,008,291
Building improvements	3 - 25	1,870,416	1,958,654
Furniture and equipment	3 - 15	477,791	424,629
Vehicles	3 - 5	105,028	105,028
Leasehold improvements	25	65,515	57,625
Construction in progress	N/A	<u>59,158</u>	<u>--</u>
Total property and equipment		5,380,621	4,843,292
Less accumulated depreciation		<u>(2,056,386)</u>	<u>(1,988,312)</u>
Property and equipment, net		<u>\$ 3,324,235</u>	<u>\$ 2,854,980</u>

Depreciation expense totaled \$200,372 and \$184,284 for the years ended September 30, 2025 and 2024, respectively.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 7. Investments

Investments, at fair value, consisted of the following at September 30, 2025:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 170,556	\$ --	\$ 170,556
Mutual funds	53,023	--	53,023
Equities	5,053,965	--	5,053,965
Exchange traded funds	367,348	--	367,348
Vermont Community Foundation	--	<u>65,473</u>	<u>65,473</u>
Total investments	<u>\$ 5,644,892</u>	<u>\$ 65,473</u>	<u>\$ 5,710,365</u>

Investments, at fair value, consisted of the following at September 30, 2024:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 19,340	\$ --	\$ 19,340
Mutual funds	311,485	--	311,485
Equities	4,638,794	--	4,638,794
Exchange traded funds	334,753	--	334,753
Vermont Community Foundation	--	<u>59,514</u>	<u>59,514</u>
Total investments	<u>\$ 5,304,372</u>	<u>\$ 59,514</u>	<u>\$ 5,363,886</u>

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 \$65,473 and \$59,514 at September 30, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 5,363,886	\$ 4,684,274
Total gains or losses included in statement of activities and changes in net assets	456,721	990,101
Purchases, sales, issuances, and settlements, net	<u>(110,242)</u>	<u>(310,489)</u>
Ending balance	<u>\$ 5,710,365</u>	<u>\$ 5,363,886</u>

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

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:

	<u>2025</u>	<u>2024</u>
Dividend and interest income	\$ 120,493	\$ 106,858
Net change in beneficial interest	5,959	8,794
Realized and unrealized gains	<u>379,850</u>	<u>919,310</u>
Total investment income	506,302	1,034,962
Management fees	<u>(49,580)</u>	<u>(44,861)</u>
Net investment income	<u>\$ 456,722</u>	<u>\$ 990,101</u>

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

	<u>2025</u>	<u>2024</u>
Without donor restrictions:		
Operating	\$ 191,000	\$ 350,000
Non-operating	<u>203,697</u>	<u>497,622</u>
Subtotal - without donor restrictions	394,697	847,622
Endowment earnings	<u>62,025</u>	<u>142,479</u>
Total return on investments	<u>\$ 456,722</u>	<u>\$ 990,101</u>

Note 8. Line of Credit

In June 2024, the Organization entered into a line of credit agreement with M&T Bank. The line carried a variable rate of interest equal to 8.00% at September 30, 2025. The available credit on the line was \$700,000 at September 30, 2025. There was no balance outstanding on the line at September 30, 2025 and 2024.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 9. Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Restricted by time or specific purpose:		
Pearl Street residence - capital and programs	\$ 288,650	\$ 298,650
RS Counseling building - capital and programs	600,000	1,055,000
Multicultural youth	10,000	36,351
Unappropriated endowment earnings	418,827	356,802
Burlington Drop-in Center	62,400	101,250
St. Albans Drop-in Center	431,568	404,788
Direct cash transfer program	331,387	457,760
Night shelter	250,000	225,000
Other programs	102,945	34,244
Future periods	<u>1,649,380</u>	<u>876,894</u>
Subtotal - restricted by time or specific purpose	4,145,157	3,846,739
Restricted in perpetuity	<u>390,472</u>	<u>390,472</u>
Total net assets with donor restrictions	<u>\$ 4,535,629</u>	<u>\$ 4,237,211</u>

Net assets released due to the satisfaction of time and program restrictions totaled \$1,572,402 and \$1,109,008 for the years ended September 30, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Restricted by time or purpose	\$ 418,827	\$ 356,802
Restricted to be held in perpetuity	<u>390,472</u>	<u>390,472</u>
Total donor-restricted endowment funds	<u>\$ 809,299</u>	<u>\$ 747,274</u>

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 10. Endowment Net Assets (continued)

Changes in endowment net assets for the year ending September 30, 2025 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	\$ 356,802	\$ 390,472
Investment return	<u>62,025</u>	<u>--</u>
Endowment net assets, end of year	<u>\$ 418,827</u>	<u>\$ 390,472</u>

Changes in endowment net assets for the year ending September 30, 2024 are as follows:

	Accumulated Endowment Earnings	Endowment
Endowment net assets, beginning of year	\$ 214,323	\$ 390,472
Investment return	<u>142,479</u>	<u>--</u>
Endowment net assets, end of year	<u>\$ 356,802</u>	<u>\$ 390,472</u>

Note 11. Contributed Nonfinancial Assets

Contributed nonfinancial assets consisted of the following at September 30:

	<u>2025</u>	<u>2024</u>
Food, clothing, and program supplies	\$ 16,310	\$ 31,776
Empty Bowl donations	<u>49,829</u>	<u>35,757</u>
Total contributed nonfinancial assets	<u>\$ 66,139</u>	<u>\$ 67,533</u>

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.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 12. Right-of-Use Asset, Operating

In accordance with Topic 842 (see Note 1.), the Organization determines if an arrangement is, or contains, a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. The Organization includes in the determination of the ROU assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization has elected to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization leases office space and equipment under noncancelable operating leases through August 2030. Lease assets are amortized over the life of the underlying asset.

The components of total lease cost are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 130,044	\$ 108,287
Short-term lease cost	<u>26,250</u>	<u>32,184</u>
Total lease expense	<u>\$ 156,294</u>	<u>\$ 140,471</u>

Cash flow information related to leases is as follows:

	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	<u>\$ 132,119</u>	<u>\$ 107,146</u>
Lease assets obtained in exchange for new lease liabilities	<u>\$ 211,928</u>	<u>\$ 358,291</u>

The following summarizes the weighted-average remaining lease term and discount rate at September 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	3.57 years	1.87 years
Weighted-average discount rate	4.16%	4.04%

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 12. Right-of-Use Asset, Operating (continued)

The following is a schedule of future minimum lease liabilities for the final remaining year and in aggregate under the above operating leases at September 30:

2026	\$ 116,398
2027	68,453
2028	59,611
2029	49,536
2030	<u>19,899</u>
Total lease payments	\$ 313,897
Less: interest	<u>(28,045)</u>
Present value of lease obligations	<u>\$ 285,852</u>

Note 13. Lessor Operating Leases

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 \$695 and rent may be subsidized by the Vermont State Housing Authority for youth who meet certain income eligibility. Rental income under this program totaled \$61,464 and \$39,395 for the years ended September 30, 2025 and 2024, 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 several additional periods through September 30, 2024. The agreement is now month-to-month. The agreement calls for monthly installments of \$1,360 from October 1, 2023 through September 2024 and \$1,401 from October 1, 2024 through September 30, 2025. Rental income under this agreement totaled \$16,809 and \$16,319 for the years ended September 30, 2025 and 2024, respectively.

In August 2022, the Organization opened the VISTA Apartments in St. Albans, which has three units available to lease on a month-to-month basis to qualified youth. Rental income under this program totaled \$25,764 and \$20,055 for the years ended September 30, 2025 and 2024, respectively.

Note 14. Commitments and Contingencies

The Organization received no direct federal grant funding during the year ended September 30, 2025 and received direct federal grant funding totaling \$592,737 during the year ended September 30, 2024. 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, 2025 and 2024, or on the changes in their net assets for the years then ended.

SPECTRUM YOUTH & FAMILY SERVICES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2025 and 2024

Note 15. 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 \$1,392,525 and \$1,127,447 to Spectrum Works, L3C at September 30, 2025 and 2024, respectively.

Note 16. Retirement Plan

The Organization has a 403(b) savings plan for all employees who meet eligibility requirements. The Organization makes matching contributions equal to the lesser of 50% of an employee's salary reduction amount or 3% of a contributing employee's annual compensation. The employer contributions to the plan totaled \$76,837 and \$66,912 for the years ended September 30, 2025 and 2024, respectively.

Note 17. Housing Covenants and Mortgage Deed

The Organization is subject to a housing subsidy covenant and a mortgage deed as conditions of funding provided by the Vermont Housing and Conservation Board (VHCB). VHCB funding consisted of (1) \$150,000 provided in 1994 for repayment of indebtedness to purchase the property at Pearl Street which houses the Emergency Shelter, (2) funding of a \$10,000 feasibility grant received in 2011 for pre-development expenses related to construction of a 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 restrictions and affordability requirements.

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

Note 18. Subsequent Events

The Organization ceased operations of its Detail Works program in September 2025. Subsequent to year-end, management initiated activities to wind down the program, including finalizing outstanding obligations and reallocating resources to other initiatives. These activities are not expected to have a material adverse effect on the Organization's financial position or results of operations.