

**NORTH AMERICAN FAMILY INSTITUTE, INC.**  
**INDEPENDENT AUDITORS' REPORTS AS REQUIRED BY RULES OF THE FLORIDA  
GENERAL AUDITOR, CHAPTER 10.650 AND *GOVERNMENT*  
*AUDITING STANDARDS* AND RELATED INFORMATION**  
**YEAR END JUNE 30, 2024**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE FINANCIAL ASSISTANCE PROJECT, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Board of Directors  
North American Family Institute, Inc.  
Stoneham, Massachusetts

**Report on Compliance for Each Major State Project**

***Opinion on Each Major State Project***

We have audited North American Family Institute, Inc. and Subsidiaries (NAFI's) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on NAFI's major state financial assistance projects for the year ended June 30, 2024. NAFI's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the NAFI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended June 30, 2024.

***Basis for Opinion on Each Major State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Auditor General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the NAFI and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the NAFI's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the NAFI's state projects.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the NAFI's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the NAFI's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.650, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the NAFI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the NAFI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the NAFI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis.

*A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

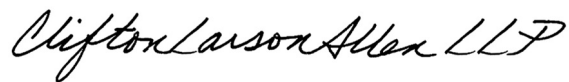
Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of North American Family Institute, Inc. and Subsidiaries. The schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Nonprofit and For-Profit Organizations*, Rules of the Auditor General of the State of Florida, is also presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information and the schedule of state financial assistance is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
February 13, 2025



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
North American Family Institute, Inc.  
Stoneham, Massachusetts

We have audited, 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 the consolidated financial statements of North American Family Institute, Inc. and Subsidiaries (NAFI), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statement of activities, functional expense, and cash flows for the year then ended June 30, 2024 and the related notes to the financial statements, and have issued our report thereon dated September 30, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered NAFI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NAFI's internal control. Accordingly, we do not express an opinion on the effectiveness of NAFI's internal control.

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

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

Board of Directors  
North American Family Institute, Inc.

***Report on Compliance and Other Matters***

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

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
September 30, 2024

**NORTH AMERICAN FAMILY INSTITUTE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

**State Financial Assistance Project**

1. Internal control over state projects:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes        x   none reported
2. Type of auditors’ report issued on compliance for state projects: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General? \_\_\_\_\_ yes        x   no

**Identification of Major State Financial Assistance Projects**

<u>Program title</u>	<u>CSFA number</u>	<u>State contract/grant number</u>	<u>Total expenditures</u>
Florida Department of Children and Families Heartland for Children Out of Home Supports	60.074	TNA01	\$ <u>809,208</u>

Dollar threshold used to distinguish between Type A and Type B state projects: \$ 509,999

**NORTH AMERICAN FAMILY INSTITUTE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024**

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***Section II – Financial Statement Findings***

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Current Year: Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Prior Year: Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – State Financial Assistance Projects***

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Current Year: Our audit did not disclose any matters required to be reported in accordance with Chapter 10.650, Rules of the Auditor General.

Prior Year: Not Applicable.



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
North American Family Institute, Inc. and Subsidiaries  
Stoneham, Massachusetts

### **Report on the Audit of the Financial Statements** ***Opinion***

We have audited the accompanying consolidated financial statements of the North American Family Institute, Inc. and Subsidiaries (NAFI), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAFI as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAFI 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 Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

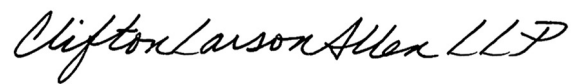
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NAFI'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 NAFI'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 Directors  
North American Family Institute, Inc. and Subsidiaries

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, on our consideration of NAFI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NAFI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* in considering NAFI's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts  
September 30, 2024

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2024**

**Assets**

Current assets:	
Cash and equivalents	\$ 31,051,469
Restricted cash	108,956
Accounts receivable, net	16,887,343
Prepaid expenses and other current assets	664,410
Investments (Note 4)	11,006,278
Total current assets	59,718,456
Property and equipment:	
Land	5,384,020
Buildings and improvements	35,845,990
Equipment and furnishings	3,772,970
Vehicles	2,436,509
	47,439,489
Less accumulated depreciation	(25,386,528)
Property and equipment, net	22,052,961
Lease right-of-use assets	6,088,356
Other assets	615,839
Total assets	\$ 88,475,612

**Liabilities and Net Assets**

Current liabilities:	
Current portion of long-term debt (Note 5)	\$ 740,105
Current portion of operating lease liabilities (Note 6)	856,009
Accounts payable	1,066,607
Accrued payroll and related liabilities	7,135,996
Other accrued expenses	5,150,059
Deferred revenue	3,145,283
Total current liabilities	18,094,059
Long-term liabilities:	
Long-term debt, net of current portion (Note 5)	5,153,402
Operating lease liabilities, net of current portion (Note 6)	5,309,122
Total long-term liabilities	10,462,524
Total liabilities	28,556,583
Net assets:	
Without donor restrictions	59,487,435
With donor restrictions	431,594
Total net assets	59,919,029
Total liabilities and net assets	\$ 88,475,612

See accompanying Notes to Consolidated Financial Statements.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2024**

Changes in net assets without donor restrictions:	
Revenues and other support:	
Contracts	\$ 132,422,189
Contributions:	
Contributed nonfinancial assets	1,870,122
Other	157,022
Interest and dividends	1,944,186
Miscellaneous	161,154
	136,554,673
Net assets released from restrictions	245,501
Total revenues and other support	136,800,174
Expenses:	
Program services	114,292,497
Supporting services	14,829,049
Total expenses	129,121,546
Increase in net assets without donor restrictions before nonoperating activities	7,678,628
Nonoperating activities:	
Net realized and unrealized gain on investments	715,513
Gain on disposal of property and equipment	52,525
Increase in unrestricted net assets without donor restrictions	8,446,666
Changes in net assets with donor restrictions:	
Contributions and grants	202,440
Net assets released from restrictions	(245,501)
Decrease in net assets with donor restrictions	(43,061)
Increase in net assets	8,403,605
Net assets at beginning of year	51,515,424
Net assets at end of year	\$ 59,919,029

See accompanying Notes to Consolidated Financial Statements.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
Personnel expenses:			
Salaries, payroll taxes, and employee benefits	\$ 86,908,979	\$ 11,246,854	\$ 98,155,833
Other expenses:			
Contracted services	8,371,108	1,391,754	9,762,862
Other direct expenses	4,174,032	1,174,876	5,348,908
Occupancy	4,480,489	446,871	4,927,360
Consumables	3,327,740	-	3,327,740
Transportation	2,048,955	173,290	2,222,245
Contributed nonfinancial assets	1,865,924	4,198	1,870,122
Equipment	810,726	194,024	1,004,750
Interest	466,824	15,837	482,661
	<u>25,545,798</u>	<u>3,400,850</u>	<u>28,946,648</u>
Depreciation and amortization	<u>1,837,720</u>	<u>181,345</u>	<u>2,019,065</u>
Total expenses	<u><u>\$ 114,292,497</u></u>	<u><u>\$ 14,829,049</u></u>	<u><u>\$ 129,121,546</u></u>

See accompanying Notes to Consolidated Financial Statements.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2024**

Cash flows from operating activities:	
Increase in net assets	\$ 8,403,605
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,019,065
Gain on disposal of property and equipment	(52,525)
Net realized and unrealized gain on investments	(715,513)
Amortization of right-of-use asset	(882,104)
Changes in assets and liabilities:	
Accounts receivable, net	(2,255,442)
Prepaid expenses and other current assets	93,761
Other assets	(16,679)
Accounts payable	(984,148)
Accrued payroll and related liabilities	(168,267)
Other accrued expenses	2,119,843
Deferred revenue	(743,528)
Operating lease liability	918,987
Net cash provided by operating activities	<u>7,737,055</u>
Cash flows from investing activities:	
Purchases of property and equipment	(4,430,568)
Purchases of investments	(3,356,204)
Proceeds from sale of property and equipment	55,500
Proceeds from sale of investments	<u>3,067,786</u>
Net cash used in investing activities	<u>(4,663,486)</u>
Cash flows from financing activities:	
Repayments of long-term debt	<u>(1,099,845)</u>
Net cash used in financing activities	<u>(1,099,845)</u>
Net increase in cash and equivalents	1,973,724
Cash and equivalents and restricted cash at beginning of year	<u>29,186,701</u>
Cash and equivalents and restricted cash at end of year	<u><u>\$ 31,160,425</u></u>
Supplemental data:	
Cash paid for interest	\$ 482,661
Reconciliation of cash and equivalents and restricted cash	
Cash and equivalents	\$ 31,051,469
Restricted cash	108,956
Total cash and equivalents and restricted cash	<u><u>\$ 31,160,425</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The accompanying consolidated financial statements include the activities and balances of North American Family Institute, Inc. and its subsidiaries, including NAFI Connecticut, Inc. (NAFICT), NFI Massachusetts, Inc. (NFI), NFI North, Inc. (NFIN), and NFI Vermont, Inc. (NFIV) (collectively, NAFI). NAFI is a not-for-profit organization whose purpose is to provide community-based social services to individuals and their families. NAFI's revenues are derived primarily from services contracted with the states of Connecticut, Florida, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont; the federal government; and certain commercial payers.

**Basis of Presentation**

All intercompany transactions and balances have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) and are presented on the accrual basis of accounting. The consolidated financial statements have been prepared to focus on NAFI as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met by actions of NAFI and/or the passage of time.

*Without Donor Restrictions* – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions and/or time restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of restrictions on net assets with donor restrictions are reported as reclassifications between the applicable classes of net assets. Expirations of restrictions with donor restrictions occur when donor-imposed stipulated purposes have been accomplished and/or the stipulated time period has elapsed. If an expense is incurred for a purpose for which both net assets with and without donor restrictions are available, a donor-imposed restriction is fulfilled to the extent of the expense incurred unless the expense is for a purpose that is directly attributable to another specified external source of revenue.

**Adoption of New Accounting Standards**

In 2024, NAFI adopted FASB ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. NAFI adopted this new guidance using the modified retrospective transition method. The adoption of this Standard did not have a material impact on NAFI's financial statements but did change how the allowance for credit losses is determined.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

All short-term investments with an original maturity at purchase of three months or less are considered cash equivalents for purposes of the statement of cash flows. Cash and equivalents within investment accounts are considered to be investments for purposes of the statement of cash flows.

**Accounts Receivable**

NAFI carries its accounts receivable net of an allowance for credit losses. The allowance is determined to present the net amount of accounts receivable expected to be collected. The allowance represents the expected credit losses based on historical experience, current economic conditions, and certain forward-looking information. The allowance is evaluated on a periodic basis based on an assessment of outstanding balances for all accounts over 90 days past due. Those balances deemed by management to have potential collectability issues are charged to the allowance for credit losses accounts. As of June 30, 2024, the allowance was \$358,071.

**Income Taxes**

NAFI and each of its subsidiaries are organizations described under Section 501(c)(3) of the Internal Revenue Code (IRC) and are generally exempt from income taxes under IRC Section 501(a). NAFI has taken no significant uncertain tax positions.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

NAFI maintains cash balances at financial institutions, which at times may exceed federally insured limits. NAFI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Concentration of Risk**

NAFI receives the majority of its funding from state and federal contracts that are renewable annually. Legislative budgets could significantly impact NAFI's ability to start new programs and to continue existing programs.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are recorded at cost or, in the case of donated property, at fair value at the date of gift. Depreciation is provided using the straight-line-method over the following estimated useful lives:

Buildings and Improvements	5 to 33.3 Years
Equipment and Furnishings	2 to 10 Years
Vehicles	3 to 5 Years

Leasehold improvements are depreciated or amortized according to NAFI's normal depreciation policy except that the time period shall be the shorter of: (1) the useful life of the leasehold improvements, or (2) the remaining years of the lease. The remaining years of the lease include the years in the lease renewals that are reasonably assured.

**Self-Insurance**

NAFI is self-insured for employee medical healthcare costs. As of June 30, 2024, the estimated liability for healthcare claims incurred but not yet reported or paid was \$549,538 and is included in accrued payroll and related liabilities in the accompanying consolidated statement of financial position.

**Fair Value of Financial Instruments**

Fair value represents the price that NFI would receive upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. NFI uses a three-tier hierarchy to categorize those assets and liabilities based on those valuation methodologies employed. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

*Level 1* – Quoted prices in active markets for identical financial instruments.

*Level 2* – Other significant observable inputs (including quoted prices for similar financial instruments, interest rates, credit risk, etc.).

*Level 3* – Significant unobservable inputs (including NAFI's own assumptions in determining the fair value of financial instruments).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. NAFI utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

NAFI determines if an arrangement is a lease at inception. NAFI has leases under which it is obligated as a lessee. Operating leases as a lessee are included in right-of-use assets and lease liabilities in the consolidated statement of financial position.

Right-of-use assets represent NAFI's right to use an underlying asset for the lease term. Lease liabilities represent NAFI's liability to make lease payments arising from the lease. Operating right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. NAFI has elected to use a practical expedient of the risk-free borrowing rate (applicable U.S. Department of Treasury risk-free treasury rate) as the incremental borrowing rate, which is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

**Revenue Recognition**

NAFI recognizes revenue at an amount that reflects the consideration to which NAFI expects to be entitled in exchange for transferring goods or services to its customers using the following five-step process:

1. Identify the contract(s) with the customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligations in the contract;
5. Recognize revenue when (or as) NAFI satisfies a performance obligation.

See Note 7 for details on how the above five-step process is applied to NAFI's contracts with customers.

**Contributed Nonfinancial Assets**

NAFI receives the contributions of the use of facilities which are valued at the fair value of similar properties available use in commercial markets. NAFI may also receive contributed goods which are valued at estimated fair value. See Note 8 for additional information on contributed nonfinancial assets in 2024.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs incurred totaled \$426,187 during the year ended June 30, 2024.

**Subsequent Events**

We have evaluated subsequent events through September 30, 2024, the date the consolidated financial statements were available to be issued. NAFI determined there are no material events that would require recognition or disclosure through this date.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 2 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of June 30, 2024, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and scheduled principal payments on debt, were as follows:

Cash and equivalents	\$ 31,051,469
Accounts receivable, net	16,887,343
Investments	<u>11,006,278</u>
Total financial assets	58,945,090
Less: amounts designated for program purposes	<u>(431,594)</u>
Total financial assets available for general expenditures	<u><u>\$ 58,513,496</u></u>

As part of the NAFI's liquidity management, NAFI maintains working capital lines of credit, which provides liquidity available to meet general expenditures as liabilities and other obligation come due.

**NOTE 3 LINE OF CREDIT**

NAFI makes available to its subsidiaries, including NAFICT, NFIV, NFI and NFIN, a two-year term committed facility \$8,000,000 line of credit from TD Bank. The line of credit bears interest at a fluctuating rate equal to the Federal Reserve Bank of New York 1-Month Secured Overnight Financing Rate (SOFR), plus 2.00% per annum, not to exceed 6.00%, (6.00% as of June 30, 2024). Borrowings under the line are jointly guaranteed by NAFI, NAFICT, NFIV, NFI, and NFIN and are collateralized by substantially all of their assets.

Borrowings under the line of credit are due and payable on May 31, 2026, without notice or demand. As of June 30, 2024, there were no borrowings outstanding under this line of credit.

In addition, NAFI has entered into letter of credit agreements with TD Bank for a total of \$959,620. The letter of credit agreements can be utilized by all subsidiaries in the aggregate of \$8,000,000 and are not collateralized by additional cash. The letter of credit agreements is a requirement of NAFI's workers' compensation carrier.

**NOTE 4 INVESTMENTS**

Investments are carried at fair value. Investments as of June 30, 2024 consisted of the following:

Equities	\$ 5,235,725
Corporate bonds	5,465,576
Cash and equivalents	<u>304,977</u>
Total	<u><u>\$ 11,006,278</u></u>

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 4 INVESTMENTS (CONTINUED)**

All investments are valued using Level 1 inputs in accordance with the fair value hierarchy, except corporate bonds which are considered Level 2. There were no transfers between fair value levels during the year.

**NOTE 5 LONG-TERM DEBT**

Long term debt as of June 30, 2024 consisted of the following:

	Fiscal Year Due	Amount
Bonds, secured by real estate:		
3.75% - 4.70% fixed	2025	\$ 15,870
3.40% fixed	2041	237,796
Total bonds payable		<u>253,666</u>
Mortgages payable, secured by real estate:		
0.00% - 8.50% fixed	2025-2041	5,259,131
2.80% - 4.13% variable	2026-2030	365,001
Total mortgages payable		<u>5,624,132</u>
Vehicle notes, secured by automobiles		
3.19% - 6.09% fixed	2025-2026	19,765
Total vehicle notes payable		<u>19,765</u>
Total long-term debt		5,897,563
Less: unamortized debt issuance costs		(4,056)
Less: current portion		<u>(740,105)</u>
Total long-term debt, net		<u>\$ 5,153,402</u>

Certain mortgages payable to housing authorities provide that a portion of the principal will be forgiven at the end of the loan period if the underlying properties are used to provide housing in accordance with stipulated conditions. In addition, certain mortgages payable contain various prepayment penalties.

NAFI is required to maintain certain debt service coverage ratios.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Scheduled repayments of long-term debt are as follows:

<u>Year ending June 30:</u>	<u>Amount due</u>
2025	\$ 740,105
2026	1,365,708
2027	860,746
2028	626,378
2029	258,447
Thereafter	2,046,179
Total	<u>\$ 5,897,563</u>

Interest expense was \$482,661 for the year ended June 30, 2024.

**NOTE 6 LEASES**

NAFI is committed to annual payments under several long-term non-cancelable (except under certain circumstances) operating lease for property, vehicles, and equipment through 2040.

Lease expense reported in occupancy, transportation, and equipment in the consolidated statement of functional expenses amounted to \$2,018,710 for the year ended June 30, 2024, the components of which are as follows:

Lease cost:	
Operating lease expense	\$ 1,190,373
Short-term lease expense	828,337
Total lease expense	<u>\$ 2,018,710</u>

Operating right-of-use assets exchanged for lease liabilities during 2024 totaled \$2,087,890.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 6 LEASES (CONTINUED)**

Payments due include options to extend leases that are reasonably certain through fiscal year 2040 and are summarized below:

<u>Year ending June 30:</u>	<u>Amount due</u>
2025	\$ 1,066,116
2026	754,702
2027	705,039
2028	545,343
2029	384,385
Thereafter	<u>4,591,172</u>
Total	8,046,757
Less: amounts representing interest	<u>(1,881,626)</u>
Operating lease liabilities	<u><u>\$ 6,165,131</u></u>

The weighted-average remaining lease term for operating leases is 183 months. The weighted-average discount rate for operating leases is 3.41%.

**NOTE 7 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, (ASC Topic 606), revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenues from contracts are primarily derived from cost reimbursement, per diem and fee for service contracts. Cost reimbursement contracts are recognized with expenses being reimbursed for services delivered over the course of client enrollment period which is generally as expenses are incurred. Rate based contracts are recognized with expenses being reimbursed for services delivered over the course of client stay based on an established rate with the related funding source which is generally when services are provided. Revenues from contracts consisted of 20% for cost reimbursement contracts and 80% for rate-based contracts for the year ended June 30, 2024.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 7 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

Balances of accounts receivable and deferred revenue related to contracts with customers are summarized below:

	Accounts Receivable	Deferred Revenue
Opening (July 1, 2023)	\$ 14,631,900	\$ 3,888,812
Closing (June 30, 2024)	16,887,343	3,145,283
Increase (Decrease)	\$ 2,255,443	\$ (743,529)

**NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS**

For the year ended June 30, 2024, contributions of nonfinancial assets recognized by NAFI within the consolidated statement of activities included:

Rent	\$ 1,798,765
Consumables and supplies	71,357
Total contributed nonfinancial assets	\$ 1,870,122

NAFI recognized contributed nonfinancial assets within revenue, including contributions of rent, and consumables and supplies. Contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed space is used for programmatic activities. In valuing the contributed space, which is located in Worcester, Massachusetts, Smithfield, Rhode Island and Concord, New Hampshire, NAFI estimated the fair value on the basis of recent comparable rental prices in the area's real estate market.

Contributed consumables and supplies were utilized within various community based, residential and school programs. In valuing consumables and supplies, estimates of fair value were based on market values on the date received.

**NOTE 9 RETIREMENT PLAN**

NAFI has a qualified defined contribution retirement plan for eligible employees to which annual contributions are made at the discretion of NAFI's board of directors. NAFI elected to make a contribution of \$1,338,640 for the year ended June 30, 2024. These expenses are included in employee benefits expense within the accompanying statement of functional expenses.

**NORTH AMERICAN FAMILY INSTITUTE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2024**

**NOTE 10 COLLABORATIVE AGREEMENT**

NFIV participates in a collaborative agreement with two unrelated organizations to operate the Centerpoint Adolescent Treatment Services program. The agreement among the three parties established the collaborative through June 30, 2010, with an option for renewal. The agreement contains a provision that states, “nine months before the end of the agreement, discussions shall begin for negotiation of a continuation agreement.” As there was no agreement as of June 30, 2010, this agreement shall be considered to be continuing for successive one-year periods unless otherwise agreed upon or unless the collaborative ceases to exist. During fiscal year 2024, the Centerpoint Adolescent Treatment Services program closed. This agreement provides for cost and revenue sharing above certain pre-defined thresholds. Revenue generated from this collaborative for the year ended June 30, 2024 by NFIV was \$104,816, which was included in contract revenue in the consolidated statement of activities. Expenses incurred by NFIV for the collaborative were \$399,086 for the year ended June 30, 2024, and are included in program expenses in the consolidated statement of activities.

**NOTE 11 MATCHING FUNDS**

Pursuant to Federal Regulations, Title 42, Chapter 4, Part 433, Sections 433.50 and 433.51, revised October 1, 2008, NFIV received funds from state/local government sources for the year ended June 30, 2024, which provide a basis for state and local units of government to participate in financing the nonfederal portion of medical assistance expenditures. These funds exceed the matching funds minimum requirement amount of \$259,850, as determined by the State of Vermont Department of Mental Health.

**NOTE 12 CONTINGENCIES**

In the normal course of operations, NAFI and its subsidiaries are subject to the laws and regulations of federal, state, and local governments. From time to time, NAFI and its subsidiaries may be notified of potential claims or litigation. Management evaluates such claims if they arise. NFI North, Inc. (NFIN) was notified that it was named a party to an ongoing lawsuit. The outcome of the lawsuit is not yet finalized.

NFIN has established a reserve of \$1,083,712 for management’s estimation of probably expenses related to ongoing litigation. Since information regarding the case continues to evolve, management continues to evaluate and monitor any potential impact to the organization.

**NORTH AMERICAN FAMILY INSTITUTE, INC.  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE - FLORIDA  
YEAR ENDED JUNE 30, 2024**

<u>Program title</u>	<u>CSFA number</u>	<u>State contract/grant number</u>	<u>Total expenditures</u>
State financial assistance:			
Florida Department of Juvenile Justice Delinquency Prevention	80.029	10816	\$ <u>364,306</u>
Total Florida Department of Juvenile Justice			364,306
Florida Department of Children and Families			
Heartland for Children Out of Home Supports	60.074	TNA01	\$ <u>809,208</u>
Total Florida Department of Children and Families			809,208
Florida Department of Children and Families			
Functional Family Therapy in Foster Care	60.290	TJ506	\$ <u>349,092</u>
Total Florida Department of Children and Families			349,092
Total expenditures of state financial assistance			\$ <u><u>1,522,606</u></u>

See accompanying notes to schedule of expenditures of state financial assistance.

**NORTH AMERICAN FAMILY INSTITUTE, INC.  
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2024**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the Schedule) summarizes the state expenditures of NAFI, under programs of the State of Florida for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Florida Auditor General. Because the Schedule presents only a selected portion of the operations of NAFI, it is not intended to and does not present the financial position or activities of NAFI.

**Basis of Accounting**

The schedule has been prepared on the accrual basis in accordance with the accounting policies of NAFI, which conform to U.S. generally accepted accounting principles as applicable to not-for-profit organizations. The information in the Schedule is presented based upon regulations established by Chapter 10.650, Rules of the Florida Auditor General.



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