



# Financial Statement

June 30, 2015

The first name in second chances.<sup>SM</sup>

**Eckerd**

**ECKERD**  
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**INDEPENDENT AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
 Eckerd Youth Alternatives, Inc.  
 Clearwater, Florida

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eckerd Youth Alternatives, Inc. ("Eckerd"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements CARING for Children, Inc. or Paxen, LLC, wholly owned subsidiaries, which represent the percentages of total assets and revenues listed below.

	Assets	Revenues
CARING for Children, Inc.	1.62%	0.28%
Paxen, LLC	5.75%	2.72%
	7.37%	3.00%

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for CARING for Children, Inc. and Paxen, LLC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of CARING for Children, Inc. and Paxen, LLC were not audited in accordance with *Government Auditing Standards*.

(Continued)

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eckerd as of June 30, 2015, 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.

***Emphasis of Matter***

As discussed in Notes 22 and 23 to the consolidated financial statements, in 2015 a change in the reporting entity occurred. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of Eckerd'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eckerd's internal control over financial reporting and compliance.



Crowe Horwath LLP

Tampa, Florida  
December 3, 2015

**FINANCIAL STATEMENTS**

**ECKERD**  
**STATEMENT OF FINANCIAL POSITION**

**June 30, 2015**

<b>Assets:</b>	
Cash and cash equivalents	\$18,637,512
Restricted cash	599,720
Accounts receivable	9,282,805
Contributions receivable	410,594
Prepaid expenses	824,007
Deposits	502,667
Other assets	304,650
Investments	4,118,471
Notes receivable	1,680,556
Goodwill	909,294
Property and equipment (net)	8,797,185
Beneficial interest in perpetual trust	<u>23,133,479</u>
<b>Total assets</b>	<u><u>\$69,200,940</u></u>
<b>Liabilities and net assets:</b>	
<b>Liabilities:</b>	
Accounts payable	\$9,090,965
Accrued expenses	4,300,932
Lease payable	137,773
Line of credit	1,118,626
Long term debt	1,404,083
Accrued pension - defined contribution	825,759
Deferred revenue	4,635,683
Accrued pension - deferred compensation	<u>301,055</u>
<b>Total liabilities</b>	<u><u>21,814,876</u></u>
<b>Net assets:</b>	
Unrestricted	
Undesignated	18,036,552
Designated	4,375,871
Temporarily restricted	1,875,788
Permanently restricted	<u>23,097,853</u>
<b>Total net assets</b>	<u><u>47,386,064</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$69,200,940</u></u>

**ECKERD**  
**STATEMENT OF ACTIVITIES**

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and gains:</b>				
Program revenue	\$ 170,308,822	\$ -	\$ -	\$170,308,822
Contributions	771,785	2,847,914	-	3,619,699
Interest and dividends net of fees	109,556	-	-	109,556
Gain on sale of assets	673,838	-	-	673,838
Other revenue	180,068	-	-	180,068
<b>Total revenues and gains</b>	<u>172,044,069</u>	<u>2,847,914</u>	<u>-</u>	<u>174,891,983</u>
<b>Net assets released from restrictions for operations:</b>				
Satisfaction of donor restrictions	3,077,346	(3,077,346)	-	-
<b>Total net assets released from restrictions for operations</b>	<u>3,077,346</u>	<u>(3,077,346)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and gains</b>	<u>175,121,415</u>	<u>(229,432)</u>	<u>-</u>	<u>174,891,983</u>
<b>Expenses and losses:</b>				
Operating	169,733,084	-	-	169,733,084
Other	3,262,167	-	-	3,262,167
<b>Total expenses and losses</b>	<u>172,995,251</u>	<u>-</u>	<u>-</u>	<u>172,995,251</u>
<b>(Decrease)/Increase in net assets from operations</b>	<u>2,126,164</u>	<u>(229,432)</u>	<u>-</u>	<u>1,896,732</u>
<b>Non-operating activity:</b>				
Investment gain	197,286	-	-	197,286
Contribution received in acquisition of Caring for Children	820,133	477,754	-	1,297,887
Change in value of beneficial interest in perpetual trust	6,720	-	(326,244)	(319,524)
<b>Total non-operating activity</b>	<u>1,024,139</u>	<u>477,754</u>	<u>(326,244)</u>	<u>1,175,649</u>
<b>(Decrease)/Increase in net assets</b>	<u>3,150,303</u>	<u>248,322</u>	<u>(326,244)</u>	<u>3,072,381</u>
<b>Net assets at beginning of year</b>	<u>19,262,120</u>	<u>1,627,466</u>	<u>23,424,097</u>	<u>44,313,683</u>
<b>Net assets at end of year</b>	<u>\$22,412,423</u>	<u>\$1,875,788</u>	<u>\$23,097,853</u>	<u>\$47,386,064</u>

**ECKERD**  
**STATEMENT OF CASH FLOWS**

Year ended June 30, 2015

<b>Cash flows from operating activities:</b>	
Increase in net assets	3,072,381
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,215,717
Bad Debt Expense	13,619
Unrealized gain on investments	(164,140)
Gain on sale and retirement of fixed assets	(464,893)
Change in value of beneficial interest in perpetual trust	326,142
Contribution on acquisition of Caring for Children	(1,297,887)
(Increase) decrease in assets:	
Receivables	(2,793,168)
Prepaid expenses	94,715
Deposits	6,019
Other	(138,868)
Increase (decrease) in liabilities:	
Accounts payable	2,201,478
Accrued expenses	615,025
Accrued pension - defined contribution	(89,464)
Deferred revenue	(458,337)
Accrued pension - deferred compensation	64,069
<b>Net cash provided by operating activities</b>	<u>2,202,408</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(1,138,175)
Proceeds from disposal of property and equipment	612,962
Proceeds from mortgage receivable	563,667
Purchase of investments	(2,498,902)
Proceeds from disposal of investments	1,439,905
Net cash received in acquisitions	348,478
<b>Net cash used by investing activities</b>	<u>(672,065)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from short term borrowing	702,783
Payments on long term debt	(210,874)
Payments on capital lease obligation	(223,243)
<b>Cash flows provided by financing activities:</b>	<u>268,666</u>
<b>Net increase in cash, cash equivalents and restricted cash</b>	<u>1,799,009</u>
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	17,438,223
<b>Cash, cash equivalents and restricted cash, end of year</b>	<u>\$ 19,237,232</u>
<b>Supplemental Schedule of Noncash Investing Activities:</b>	
Assets acquired under capital lease	\$ 104,170
Interest paid	\$ 27,121

Eckerd acquired Caring for no consideration. In conjunction with the acquisition, liabilities were assumed and a contribution was received from Caring as follows:

Fair value of assets acquired	\$ 1,759,644
Liabilities assumed	(461,757)
Contribution received in acquisition of Caring	<u>\$ 1,297,887</u>

Eckerd acquired Paxen for no consideration. In conjunction with the acquisition, liabilities were assumed and goodwill was recorded as follows:

Fair value of assets acquired	\$ 2,041,414
Liabilities assumed	(2,950,708)
Goodwill recorded on acquisition of Paxen	<u>\$ (909,294)</u>

**ECKERD**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2015

	<u>Residential Programs</u>	<u>Non-Residential Programs</u>	<u>Lead Agency</u>	<u>Central Services</u>	<u>Total</u>
<b>Operating expenses:</b>					
Payroll and related expenses	\$ 6,904,023	\$ 11,291,116	\$ 8,779,971	\$ 7,713,193	\$ 34,688,303
Employee related	39,209	50,259	19,125	37,175	145,768
Training	50,856	125,981	66,087	107,494	350,418
Supplies & materials	272,753	288,024	586,888	145,722	1,293,387
Food	485,249	20,753	-	982	506,984
Technology	4,112	88,759	254,882	366,705	714,458
Travel	50,852	923,971	142,227	428,551	1,545,601
Vehicle	78,941	84,819	6,667	27,170	197,597
Repairs and maintenance	196,062	60,189	150,229	63,736	470,216
Utilities	301,951	69,391	44,808	68,912	485,062
Telephone	115,622	307,338	444,483	261,588	1,129,031
Depreciation	522,443	169,163	17,403	398,037	1,107,046
Insurance	314,525	447,696	566,491	164,589	1,493,301
Professional fees	152,887	450,225	296,214	1,491,899	2,391,225
Rent	102,790	838,675	1,860,510	82,089	2,884,064
Purchased services	-	3,488,799	111,065,510	109,925	114,664,234
Client related	205,484	937,742	3,648,096	1,954	4,793,276
Miscellaneous	49,941	(94,474)	385,715	531,931	873,113
<b>Total operating expenses</b>	<u>\$ 9,847,700</u>	<u>\$ 19,548,426</u>	<u>\$ 128,335,306</u>	<u>\$ 12,001,652</u>	<u>\$ 169,733,084</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**1. Organization and Nature of Activities**

Eckerd is one of the largest nonprofit child and family service organizations in the United States. Eckerd is an established national leader that has given much needed second chances to more than 168,000 children since 1968. Founded by Jack and Ruth Eckerd, our organization provides life-changing child welfare, juvenile justice, work force development and behavioral health programs to more than 18,500 children and families every year.

Our mission to provide and share solutions that promote the well-being of children and families in need of a second chance drives every action Eckerd takes. Built on a bedrock of solution-oriented programs, Eckerd assists both public and private organizations by sharing its best practices and advocating for system reform across the nation.

Eckerd Youth Alternatives, Inc. is the registered legal name with the State of Florida. However, the organization began doing business (dba) as Eckerd in April 2011. For more information about Eckerd, please visit [www.Eckerd.org](http://www.Eckerd.org).

Effective August 31, 2014, Eckerd was named the sole member of Caring for Children, Inc. Caring for Children, Inc. is a non-profit organization providing group homes, emergency shelters, foster care and other services to children in crisis in Western North Carolina. Caring for Children, Inc. remains a separate tax exempt organization with its own Board of Directors.

Eckerd acquired Paxen Learning Services, LLC and Paxen Huli Ke Alo, LLC on January 31, 2015. Paxen provides workforce development and day treatment in various states. Paxen is treated by the Internal Revenue Service as a disregarded entity for tax purposes and is therefore treated as a non-profit entity.

**2. Summary of Significant Accounting Policies**

Principles of Consolidation – The consolidated financial statements include the accounts of Eckerd Youth Alternatives, Inc. and its wholly-owned subsidiaries as of the subsidiaries' acquisition date. Significant intercompany balances and transactions have been eliminated.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Eckerd and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Board imposed restrictions are classified as designated.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. Summary of Significant Accounting Policies (continued)**

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Eckerd and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations where the principal contribution must remain intact.

Cash and Cash Equivalents - For purposes of the statements of cash flows, Eckerd considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash - Restricted cash represents funds held for the benefit of Eckerd Community Alternative clients and Eckerd Community Alternative contributions as required by these contracts.

Accounts Receivable – Accounts receivable consist of amounts due from governmental agencies for services performed. An allowance for doubtful accounts has not been established as management believes that all amounts are collectible.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices. Gains and losses on market value adjustments are recognized as the market fluctuates.

Notes Receivable – Notes receivable are three separate mortgages for the sale of real estate and are stated at unpaid principal balances less the allowance for loan losses and net deferred loan fees and unearned discounts, if any. Loan fees and unearned discounts are recognized as income over the contractual term of the loan using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status. Interest is recognized over the term of the loan and is calculated using the effective-interest method.

Notes receivable are placed on nonaccrual status when management determines, after considering economic and business conditions and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. Summary of Significant Accounting Policies (continued)**

Notes Receivable (continued) - Management considers a loan impaired when based on current information or factors (such as payment history, value of collateral, and assessment of the customer's current creditworthiness), it is probable that the principal and interest payments will not be collected according to the loan agreement. Management has determined that these amounts are fully collectible; therefore, no allowance for uncollectible accounts has been established or impairment recorded during the current year.

Goodwill - Goodwill represents the excess of the purchase price of net assets acquired over the fair value of those net assets at the date of an acquisition. Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. When there is an indication of impairment, management determines fair value of goodwill in accordance with Financial Accounting Standards Board Accounts Standards Codification ("FASB ASC") Topic 820, Fair Value Measurements and Disclosures.

Because there are no quoted market prices or other observable inputs available for the Organization's reporting units, referred to as level 1 and level 2 inputs in FASB ASC 820, fair value is determined using unobservable inputs that management assumes a market participant would use to determine the pricing of the reporting unit, referred to as Level 3 inputs in FASB ASC 820.

Depreciation - Property and equipment is recorded at cost and is depreciated by the straight-line method over the estimated useful lives of such assets. For Eckerd and Paxen, all property and equipment over \$1,000 is capitalized. For Caring for Children, property and equipment over \$5,000 is capitalized.

Capitalized Loan Fees - Loan fees are capitalized and amortized using the straight line method over the life of the underlying loan.

Deferred Revenue - Deferred revenue represents grant and contract revenues which have been received, but for which the prescribed services have not yet been completed. These revenues will be recognized in income when these services are completed.

Contributed Property, Equipment and Supplies - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Such contributions are classified as revenue. Eckerd also receives food commodities and certain supplies for use in its programs. These amounts are recorded at fair value in the financial statements as other contract revenues and expenses for the applicable facility.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**2. Summary of Significant Accounting Policies (continued)**

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications had no impact on net assets.

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services using the most appropriate allocation methodology. Central service expenses include general and administrative expenses. For the year ended June 30, 2015, these expenses are allocated to the various programs based on the most appropriate cost basis of each overhead department.

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

Advertising – Advertising expenses are expensed as incurred.

Fundraising - Fundraising expenses for the year ended June 30, 2015 was \$786,396 and is included in other expense.

Management's Review

Management has evaluated subsequent events and transactions for potential recognition or disclosure through December 3, 2015, which is the date the financial statements were available to be issued

Income Tax – Eckerd has received determination of tax exempt status from the Internal Revenue Service Code Section 501(c)(3) and, consequently, the earnings of Eckerd are not taxed.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more than likely than not” test, no tax benefit is recorded.

Eckerd is no longer subject to examination by taxing authorities for years before June 30, 2012. Eckerd does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. Eckerd recognizes interest and/or penalties related to income tax matters in income tax expense. Eckerd did not have any amount accrued for interest and penalties at June 30, 2015.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**3. Contribution Receivable**

Future amounts of contributions receivable at June 30, 2015 are estimated as follows:

Contributions Receivable	<u>\$ 410,594</u>
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Contributions receivable consist primarily of promises from a private foundation. Therefore, no discount or allowance was deemed necessary.

**4. Other Assets**

The following summarizes other assets at June 30, 2015:

Intangible assets	\$129,235
Inventory	13,880
Capitalized pre-contract costs	134,905
Capitalized loan fees	<u>26,630</u>
	<u>\$304,650</u>

Total expense recognized as a result of amortization of intangible assets was \$3,314. Total expense of \$5,548 was recognized as a result of the amortization of the loan costs.

Capitalized pre-contract costs include costs incurred before revenue begins to be recognized from a contract which are identifiable with a specific contract and are allocable to that contract. These costs were capitalized and will be amortized to the cost of sales over the life of the contract on a straight line basis. Amortization of contract costs amounted to \$28,105 for the year ended June 30, 2015.

**5. Investments**

Investments are recorded at fair value and are summarized as follows:

Corporate Bonds	\$1,517,853
Equity Securities	<u>2,600,618</u>
	<u>\$4,118,471</u>

Investment income from these investments for the year ended June 30, 2015 are summarized as follows:

Interest and Dividends	\$70,296
Investment Fees	(41,962)
Net Realized and Unrealized Gains	<u>197,286</u>
	<u>\$225,620</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**5. Investments (continued)**

The interest and dividends net of investment fees is included in the operating section of the statement of revenues, expenses and changes in net assets since it is used in the daily operations of Eckerd. The net realized and unrealized gain is included in the non-operating section since it is not utilized in operations.

**6. Fair Value Measurement**

ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2015.

*Equities:* Comprised of common stock valued at the closing price reported in the active market in which the individual securities are traded.

*Fixed income funds:* Valued at the net asset value (NAV) of shares held by the plan at year end.

*Beneficial interest in perpetual trust:* The fair value of the perpetual trust is measured using the fair value of the assets contributed to the trust. The assets held by the trust are comprised of a diverse group of marketable securities that are priced based on the closing price reported in the active market in which the individual securities are traded. In determining the reasonableness of the methodology, management engages a third party administrator to review terms and industry and market developments. Management reviews the investment terms, valuation, and performance annually.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**6. Fair Value Measurement (continued)**

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

The following table sets forth by level, the fair value hierarchy, of investments at fair value:

<u>Investments</u>	<u>Assets Measured at Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities				
Health Care	\$502,352	\$502,352	\$ -	\$ -
Consumer Staples	172,930	172,930	-	-
Information Technology	492,407	492,407	-	-
Consumer Discretionary	390,846	390,846	-	-
Industrials	265,851	265,851	-	-
Materials	111,385	111,385	-	-
Financials	471,377	471,377	-	-
Telecommunication	24,240	24,240	-	-
Utilities	12,412	12,412	-	-
Energy	156,818	156,818	-	-
Fixed Income				
Long Term Bond	250,824	250,824	-	-
Intermediate Term Bond	384,208	384,208	-	-
Short Term Bond	882,821	882,821	-	-
Subtotal	<u>4,118,471</u>	<u>4,118,471</u>	-	-
Beneficial Interest in Perpetual Trust	<u>23,133,479</u>	<u>-</u>	<u>-</u>	<u>23,133,479</u>
Grand Total	<u>\$27,251,950</u>	<u>\$4,118,471</u>	<u>\$ -</u>	<u>\$23,133,479</u>

The following provides further details of the Level 3 fair value measurement for the year ended June 30, 2015:

Beginning balance	\$23,424,097
Beneficial interest of Caring for Children	35,524
Change in beneficial interests in trusts	<u>(326,142)</u>
Ending balance	<u>\$23,133,479</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**6. Fair Value Measurement (continued)**

As noted, the Organization has a beneficiary interest in a perpetual trust. In determining the reasonableness of the methodology and selection of investments, management relies on a third party administrator for the selection and management of the investments held. The third party administrator reviews the investment terms and industry and market developments. Gains and losses (realized and unrealized) are included in changes in the Statement of Revenues and Expenses and other changes in net assets for the year ended June 30, 2015.

**7. Property and Equipment**

Property and equipment at June 30, 2015 are summarized as follows:

	<u>Estimated Life</u>	
Land		\$ 1,935,740
Buildings and improvements	10-20 years	14,035,859
Furniture and equipment	5 years	6,018,995
Transportation equipment	3-10 years	871,024
Construction in progress		<u>774,849</u>
<b>Total</b>		<b>23,636,467</b>
Less accumulated depreciation		<u>(14,839,282)</u>
Net property and equipment		<u><b>\$8,797,185</b></u>

Depreciation expense for the year ended June 30, 2015 was \$1,180,920.

**8. Beneficial Interest in Perpetual Trust Held by Third Party**

The Organization is an income beneficiary in three separate perpetual trusts held by third parties, which is measured based on the fair value of the assets. The change in the fair value of the trust assets is reported as permanently restricted gains or losses. Income distributions from the trust are reported as unrestricted contributions.

**9. Capital Leases Payable**

The gross amount of equipment and related accumulated depreciation recorded under capital leases were as follows:

Equipment	\$296,816
Less: accumulated depreciation	<u>(162,900)</u>
	<u><b>\$133,916</b></u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**9. Capital Leases Payable (continued)**

Capital lease obligations consist of leases with Enterprise Fleet Management. The interest rates range from 4.50% to 7.30% and the leases mature through April 2020. The capital leases are secured by the related equipment. Eckerd acquired property and equipment under capital lease obligations of approximately \$104,170 which was excluded from the Statement of Cash Flows at June 30, 2015.

Future minimum payments as of June 30, 2015 are as follows:

2016	\$36,194
2017	33,541
2018	32,364
2019	25,484
2020	<u>15,470</u>
Total minimum lease payments	143,053
Less: amount representing interest	<u>(5,280)</u>
Present value of lease payments	<u>\$137,773</u>

Interest expense on all long term obligations for the year ended June 30, 2015 was \$14,225.

**10. Line of Credit**

The Organization maintains a line of credit with a financial institution at an interest rate of Prime plus 1.75% (5% at June 30, 2015). The balance available under the line of credit is subject to a borrowing base calculation based on receivable balances with a maximum available line of \$1,500,000. Receivables serve as collateral on the outstanding balance of the line. The line of credit agreement expires in August 2017, is due on demand and, accordingly, is classified as current on the statement of financial position. The outstanding balance at June 30, 2015 was \$1,118,626.

**11. Long Term Debt**

Long term debt consists of the following at June 30, 2015:

Term note with financial institution payable in monthly payments of \$44,292, which includes interest at a rate of 3.95% per annum; matures August 2017; collateralized by assets of the Organization.	\$1,101,452
Term note with financial institution payable in monthly payments of \$2,251 which includes interest at a rate of 4.95%; matures December 2016; secured by property of the Organization.	<u>302,631</u>
Total Long Term Debt	<u>\$1,404,083</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**11. Long Term Debt (continued)**

Scheduled principal payments as of June 30 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$509,030
2017	807,524
2018	<u>87,529</u>
	<u>\$1,404,083</u>

**12. Net Assets**

Unrestricted Designated Net Assets

Unrestricted designated net assets as of June 30, 2015 consist of the following:

Endowment designated for future use	\$4,375,871
-------------------------------------	-------------

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2015 consist of the following:

Donor Restricted for Purpose:

Scholarship	\$102,288
Program/Staff Growth and Transformation	302,176
Resource Room	69,185
Program Activities	1,000,595
Restricted for Time	<u>401,544</u>
	<u>\$1,875,788</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of two perpetual trusts held by third parties. Eckerd is an income beneficiary on these trusts. The balance at June 30, 2015 consists of the following:

National Foundation for Youth	\$21,486,543
Richard J. Ross Trust	<u>1,611,310</u>
	<u>\$23,097,853</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**13. Employee Benefit Plans**

Flexible Spending Plan - Effective January 1, 1993, Eckerd amended and restated its flexible spending plan which qualified as a cafeteria plan under Section 125 of the Internal Revenue Code. This plan is comprised of four different plans, the Eckerd Youth Alternatives, Inc. Flexible Spending Plan, the Eckerd Youth Alternatives, Inc. Health Care Reimbursement Plan, the Eckerd Youth Alternatives, Inc. Dependent Care Assistance Plan and the Eckerd Youth Alternatives, Inc. Cafeteria Plan. This Flexible Spending Plan is an unfunded plan with no responsibility for the payment of such benefits by Eckerd Youth Alternatives, Inc.

Tax Deferred Annuity Program - Eckerd offers a 403(b) tax deferred annuity program to its employees. The program began in 1985 and participation is voluntary. Eckerd makes no contributions to this program.

Defined Contribution Benefit Plans - On July 1, 1993, Eckerd adopted a defined contribution pension plan covering substantially all full-time employees. Employer contributions are made at the rate of 5% of eligible employees' compensation. Contributions for this plan for 2015 were \$825,759.

Paxen sponsors a defined contribution pension plan, pursuant to provisions outlined by the Internal Revenue Code section 401(k) for employees who meet certain eligibility requirements. The Organization has the option to make discretionary matching contributions to the plan, however no matching contributions were made for the five months ended June 30, 2015.

Caring for Children sponsors a defined contribution pension plan, pursuant to provisions outlined by the Internal Revenue Code section 401(k) for employees who meet certain eligibility requirements. The Organization elected to suspend contributions to this plan in October 2008. No contributions were incurred for the year ended June 30, 2015.

Deferred Compensation Plan - Effective July 1, 2009, Eckerd established a supplemental executive retirement plan to retain and reward selected executives of the Company and to provide such executives with supplemental benefits. The plan is an unfunded plan established and maintained for the primary purpose of providing deferred compensation benefits for employees who substantially contribute to the success of the Organization. The plan is a nonqualified deferred compensation plan that is intended to comply with Sections 457(f) and 409A of the Internal Revenue Code.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**14. Lease Commitments**

The Organization leases certain facilities and equipment under cancelable and non-cancelable operating leases. The leases require various monthly payments and expred through 2020. Future minimum annual rental payments on non-cancelable operating leases as of June 30, 2015 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2016	\$1,948,578
2017	1,279,918
2018	366,313
2019	300,024
2020	<u>10,500</u>
	<u>\$3,905,333</u>

**15. Insurance Coverage**

Eckerd has purchased insurance for major areas of exposure. The following is a summary for each line of insurance:

Health Insurance - For the year ended June 30, 2015, health insurance expense was \$4,033,541.

Workers Compensation - Eckerd has one policy to cover workers' compensation for all states. Eckerd pays a deductible up to \$350,000 per occurrence. Eckerd is insured by an outside agency for any claims in excess of these amounts. At June 30, 2015, Eckerd had an accumulated reserve (liability) of \$168,678 to cover any outstanding claims related to workers compensation. There is one letter of credit for \$1,925,000 at June 30, 2015, required by the insurance agent to help insure payment of all claims. Management believes sufficient reserves have been established as of June 30, 2015.

Cyber Liability - Eckerd carries Cyber Liability coverage with a \$25,000 deductible and limit of \$1,000,000.

Auto Insurance – The auto insurance has a deductible up to \$1,000 per occurrence with a limit of \$1,000,000.

Crime/Employee Dishonesty – This policy has a \$1,000,000 limit with a deductible of \$10,000.

Employment Practices/Directors & Officers Liability – This policy has a \$6,000,000 limit and \$12,000,000 aggregate with a \$50,000 deductible for Directors & Officers claims and a \$125,000 deductible for Employment Practices claims.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**15. Insurance Coverage (continued)**

General Liability - Eckerd is insured for general liability with a deductible of \$25,000 and limits of \$1,000,000 per occurrence and \$3,000,000 for the year.

Professional Liability – Eckerd carries professional liability insurance with a deductible of \$25,000 and limits of \$1,000,000 per occurrence and \$3,000,000 for the year.

Umbrella/Excess Liability - Eckerd carries two umbrella policies that combined provide \$9,000,000 limits in excess of the limits above our Auto, General and Professional Liability policies.

**16. Related Party**

Eckerd received contributions totaling \$393,248 from board members during the year ended June 30, 2015.

**17. Credit Policy and Concentration of Credit Risk**

Eckerd is a not-for-profit entity providing educational, rehabilitation, and therapeutic programs for adolescents through facilities in several states. Funding is generally provided from federal, state and local government sources. Accounts receivable primarily represent uncollected billings under these contracts. As of June 30, 2015, no reserve for uncollectible accounts was considered necessary. The following is the estimated concentration of revenue and receivables for the year ended June 30, 2015:

	<u>Revenue</u>	<u>Receivable</u>
Federal Sources	43%	27%
State Sources	<u>57%</u>	<u>73%</u>
	<u>100%</u>	<u>100%</u>

Paxen has a significant portion of their revenue derived from contract with various agencies who receiving funding from federal and state governments. During the five months ended June 30, 2015, approximately 43% of the Organization’s revenues were derived from contracts with two of these agencies. Accounts receivable with these customers were approximately 10% as of June 30, 2015.

Eckerd maintains its cash balances at various times during the year in excess of the \$250,000 guaranteed by the Federal Deposit Insurance Corporation. At June 30, 2015, Eckerd and Paxen held approximately \$19,345,059 in deposits that were in excess of the amounts insured by the Federal Deposit Insurance Corporation. Due to FDIC coverage limits and cash flow needs, it is impractical to have 100% coverage. Eckerd has performed due diligence on the financial institutions used and is relying on the financial strength of these institutions.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**18. Endowments**

Eckerd's endowments consist of 3 individual funds established for a variety of purposes. The endowments include both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of Eckerd has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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, Eckerd classifies as permanently restricted net assets (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. All permanently restricted net assets consist of perpetual trusts held by third parties.

Eckerd's investment policy is to earn interest on cash owned by investing in high quality low risk funds while still meeting the liquidity needs of the organization. Investments may only be made in equity and fixed income securities. Eckerd may only invest in equity securities listed on an American Stock Exchange. The fixed income securities shall be AA rated or better. This policy applies to Board designated endowment only as the donor directed endowment investments are held by third parties.

Endowment net asset composition by type of fund as of June 30, 2015:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$23,097,853	\$23,097,853
Board designated	<u>4,375,871</u>	<u>-</u>	<u>4,375,871</u>
	<u>\$4,375,871</u>	<u>\$23,097,853</u>	<u>\$27,473,724</u>

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**18. Endowments (continued)**

Changes in the endowment net assets for the years ended June 30, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$3,207,356	\$23,424,097	\$26,631,453
Investment income	93,897	-	93,897
Payments (fees, tax, distributions)	(205,036)	-	(205,036)
Transfer	1,119,400	-	1,119,400
Unrealized gain	160,254	-	160,254
Change in beneficial interest in trusts	-	(326,244)	(326,244)
Endowment net assets, end of year	<u>\$4,375,871</u>	<u>\$23,097,853</u>	<u>\$27,473,724</u>

**19. Notes Receivable**

The Organization is holding the notes for the sales of three properties. The following is the details and outstanding balance at June 30, 2015:

Clewiston - The interest rate on the note is currently at 5.5%. Interest only payments are due through May, 2018 and the entire outstanding principal balance is due in June, 2018. Interest income is recognized monthly based on the current amortization schedule at 5.5%.	\$1,112,107
Benson – The interest rate on the note is 3%. Principal payments of \$100,000 are due annually at June 30, 2015 and 2016. The final payment (principal and accrued interest) is due June 30, 2017.	317,488
Asheville – The interest rate on the note is 7.5%. Monthly payments of \$1,980 consist of both principal and interest. A final balloon payment is due on or before April 1, 2016.	<u>250,961</u>
Total	<u>\$1,680,556</u>

As of June 30, 2015, the notes were considered collectible so no reserve was necessary. There is no allowance for credit losses.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**20. Contingencies**

Amounts received under various contracts and grants require the fulfillment of certain conditions as set forth in the agreement. Failure to fulfill the conditions could result in the return of the funds to the grantors. Management is of the opinion that Eckerd has complied with all provisions of the grants and that such contingency is remote.

Eckerd is occasionally involved in litigation. The outcome of current litigation cannot be determined at the report date. Management is not aware of any outstanding or unasserted claims under these suits and believes that any possible final outcome will be covered by insurance in force at June 30, 2015.

**21. Affiliated Organization**

The National Foundation for Youth (NFY) is a 501(c)(3) not-for-profit organization whose mission is to raise and administer funds to non-profit organizations providing programs for youth and families. Two members of the Eckerd Board of Directors are also members of the NFY Board of Directors; accordingly, NFY is considered to be a related organization. The CFO for Eckerd also reviews the quarterly investment statements and provides input as needed. For the year ended June 30, 2015, NFY provided funding of \$1,692,455.

**22. Acquisition – Paxen**

On January 31, 2015, Eckerd entered into an Acquisition Agreement (“Paxen Agreement”) with Paxen, LLC (“Paxen”), in order to provide Eckerd with expanded capabilities to serve its constituent base. Under the terms of the Paxen Agreement, Eckerd acquired all assets and assumed certain liabilities of Paxen for no consideration. The premium paid for the business in excess of fair value of the assets acquired was due to the consistent historical federal and state grants revenue and net income of Paxen.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**22. Acquisition – Paxen (continued)**

The results of Paxen’s operations have been included in the financial statements since the acquisition date of January 31, 2015. The purchase price was allocated to the fair value of the assets acquired and liabilities assumed as follows:

<b>Assets Acquired:</b>	
Cash	\$302,267
Accounts Receivable	1,448,933
Prepaid Expenses	45,689
Property and Equipment	12,300
Deposits	37,037
Pre-contract Costs	163,010
Loan Costs	32,178
<b>Liabilities Assumed:</b>	
Line of Credit	(1,021,224)
Accounts Payable	(138,698)
Accrued Expenses	(279,103)
Notes Payable	<u>(1,511,683)</u>
<b>Net Assets Acquired</b>	<b>(909,294)</b>
<b>Goodwill Recognized in Acquisition</b>	<b><u>909,294</u></b>
<b>Consideration Transferred</b>	<b><u>\$0</u></b>

**23. Acquisition – Caring for Children**

On August 31, 2014, Eckerd acquired controlling interest in Caring for Children (“CFC”), through a mutually agreed upon affiliation agreement between the two parties whereby Eckerd became the sole member of CFC. Eckerd previously had no affiliation with CFC. Both organizations serve similar constituents and the synergy of both organizations is expected to further the needs of the population they serve.

No consideration was exchanged as part of the acquisition. Because the transaction resulted in assets being received in excess of liabilities assumed, Eckerd has recognized a gain in its statement of activities for the year ending June 30, 2015.

**ECKERD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**23. Acquisition – Caring for Children (continued)**

The acquired assets and liabilities assumed have been recorded at their estimated fair values at the date of acquisition and approximate the following:

**Assets Acquired:**

Cash	\$46,211
Accounts Receivable	258,480
Prepaid Expenses	9,068
Property and Equipment	1,132,106
Other Assets	13,874
Notes Receivable	254,128
Accreditation Costs	10,253
Beneficial Interest in Endowment	35,524

**Liabilities Assumed:**

Accounts Payable	(59,914)
Accrued Expenses	(89,569)
Notes Payable	<u>(312,274)</u>

**Contribution received in acquisition** **\$1,297,887**

Due to the restrictions on net assets at the time of acquisition, \$477,754 of the contribution was recorded as temporarily restricted, with the remaining contribution unrestricted.

The first name in second chances.<sup>SM</sup>

**Eckerd**

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(727) 461-2990 | [Eckerd.org](http://Eckerd.org)



# Single Audit Report

June 30, 2015

The first name in second chances.<sup>SM</sup>

**Eckerd**

ECKERD YOUTH ALTERNATIVES, INC.

SINGLE AUDIT REPORTS  
June 30, 2015

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

Board of Directors  
Clearwater, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eckerd Youth Alternatives, Inc. ("Eckerd"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2015. Our report includes a reference to other auditors who audited the financial statements of Paxen, LLC and CARING for Children, Inc., as described in our report on Eckerd's financial statements. The financial statements of Paxen, LLC and CARING for Children, Inc. were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eckerd's internal control over financial reporting (internal control) to determine the 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 Eckerd's internal control. Accordingly, we do not express an opinion on the effectiveness of Eckerd's internal control.

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

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

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(Continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eckerd's financial statements are free of 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 determination of financial statement amounts. 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 over financial reporting 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.



Crowe Horwath LLP

Tampa, Florida  
December 3, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND STATE FINANCIAL ASSISTANCE PROJECT; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND  
CHAPTER 10.650 RULES OF THE AUDITOR GENERAL**

Board of Directors  
Clearwater, Florida

**Report on Compliance for Each Major Federal Program and State Financial Assistance Project**

We have audited Eckerd Youth Alternatives, Inc.'s ("Eckerd") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of Eckerd's major federal programs and state financial assistance projects for the year ended June 30, 2015. Eckerd's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Eckerd's basic consolidated financial statements include the operations of the Paxen, LLC and CARING for Children, Inc., which received \$2,350,760 and \$350,000, respectively in federal awards and \$871,489 and \$0, respectively in state financial assistance, which is not included in the schedule of expenditures of federal awards and state financial assistance during the year ended June 30, 2015. Our audit, described below, did not include the operations of Paxen, LLC and CARING for Children, Inc. because the organization's expenditures were subject to audits performed by other auditors.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Eckerd's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Those standards and OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about Eckerd's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of Eckerd's compliance.

## ***Opinion on Each Major Federal Program and State Financial Assistance Project***

In our opinion, Eckerd complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance project for the year ended June 30, 2015.

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

Management of Eckerd is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eckerd's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eckerd's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 to be material weaknesses.

Eckerd's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Eckerd's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General**

We have audited the financial statements of Eckerd as of and for the year ended June 30, 2015, and have issued our report thereon dated December 3, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*Crowe Horwath LLP*

Crowe Horwath LLP

Tampa, Florida  
December 3, 2015

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass through Grantor	Federal CFDA Number	Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Agriculture</b>				
<b>Child Nutrition Cluster</b>				
<b>School Breakfast Program</b>				
Passed through State of Florida Department of Education		01-0112	\$ 63,276	\$ -
Passed through State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	38,974	-
<b>Total School Breakfast Program</b>	<b>10.553</b>		<u>102,250</u>	<u>-</u>
<b>School Lunch Program</b>				
Passed through State of Florida Department of Education		01-0112	99,356	-
Passed through State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	60,642	-
<b>Total School Lunch Program</b>	<b>10.555</b>		<u>159,998</u>	<u>-</u>
<b>Afterschool Snack Program</b>				
Passed through State of Florida Department of Education		01-0112	19,121	-
Passed through State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	13,062	-
<b>Total Afterschool Snack Program</b>	<b>10.555</b>		<u>32,183</u>	<u>-</u>
<b>Total Child Nutrition Cluster</b>			<u>294,431</u>	<u>-</u>
<b>Commodity Food Program</b>				
Received through State of Florida Department of Agriculture and Consumer Services		N/A	8,183	-
Received through State of North Carolina Department of Agriculture		N/A	3,530	-
<b>Total Commodity Food Program</b>	<b>10.569</b>		<u>11,713</u>	<u>-</u>
<b>Total U.S. Department of Agriculture</b>			<u>306,144</u>	<u>-</u>

(Continued)

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass through Grantor	Federal CFDA Number	Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>U.S. Department of Education</b>				
<b>IDEA (Chapter I)</b>				
Passed through State of Florida - Pinellas County School Board		N/A	\$ 22,737	\$ -
Passed through State of North Carolina		N/A		-
<b>Total IDEA (Chapter I)</b>	84.027		<u>22,737</u>	<u>-</u>
<b>Title I (Chapter I)</b>				
Passed through State of Florida - Pinellas County School Board		N/A	83,519	-
Passed through State of North Carolina		N/A	20,818	-
<b>Total Title I (Chapter I)</b>	84.013		<u>104,337</u>	<u>-</u>
<b>Carl D Perkins Career Technical Education DJJ</b>				
Passed through State of Florida - Pinellas County School Board		520-1615A-5CJJ1	51,462	-
<b>Total Carl D Perkins Career Technical Education DJJ</b>	84.048		<u>51,462</u>	<u>-</u>
<b>Total U.S. Department of Education</b>			<u>178,536</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Substance Abuse</b>				
Passed through Lutheran Services		NE027	276,590	-
<b>Total Substance Abuse</b>	93.959		<u>276,590</u>	<u>-</u>
<b>Temporary Assistance for Needy Families</b>				
Passed through State of Florida Department of Children and Families		QJ511	5,590,057	5,590,057
Passed through State of Florida Department of Children and Families		QJ3E0	6,195,302	6,195,302
Passed through Brevard Family Partnership		SUP1401	24,716	-
Passed through State of North Carolina Department of Health and Human Services		30392	53,933	-
Passed through State of North Carolina Department of Health and Human Services		30391	54,024	-
Passed through State of North Carolina Department of Health and Human Services		30357	54,042	-
Passed through State of Iowa Department of Human Services		2997060	1,139,593	-
<b>Total Temporary Assistance for Needy Families</b>	93.558		<u>13,111,667</u>	<u>11,785,359</u>

(Continued)

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass through Grantor	Federal CFDA Number	Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>Grants to States for Access and Visitation Programs</b>				
Passed through Brevard Family Partnership		SUP1401	\$ 7,919	\$ -
Passed through State of Florida Department of Children and Families		QJ511	40,653	40,653
<b>Total Grants to States for Access and Visitation Programs</b>	93.597		<u>48,572</u>	<u>40,653</u>
<b>Chafee Education and Training Vouchers Program</b>				
Passed through State of Florida Department of Children and Families		QJ511	110,660	-
Passed through State of Florida Department of Children and Families		QJ3E0	240,372	-
<b>Total Chafee Education and Training Vouchers Program</b>	93.599		<u>351,032</u>	<u>-</u>
<b>Welfare Services - State Grants</b>				
Passed through State of Florida Department of Children and Families		QJ511	815,657	681,709
Passed through Brevard Family Partnership		SUP1401	4,475	-
Passed through State of Florida Department of Children and Families		QJ3E0	909,296	608,465
<b>Total Welfare Services - State Grants</b>	93.645		<u>1,729,428</u>	<u>1,290,174</u>
<b>Promoting Safe and Stable Families</b>				
Passed through State of Florida Department of Children and Families		QJ511	926,878	769,100
Passed through Brevard Family Partnership		SUP1401	567	-
Passed through State of North Carolina Department of Health and Human Services		30422	103,723	-
Passed through State of Florida Department of Children and Families		QJ3E0	1,225,556	1,126,283
<b>Total Promoting Safe and Stable Families</b>	93.556		<u>2,256,724</u>	<u>1,895,383</u>

(Continued)

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass through Grantor	Federal CFDA Number	Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>Foster Care Title IVE</b>				
Passed through Brevard Family Partnership		SUP1401	\$ 38,873	\$ -
Passed through State of Florida Department of Children and Families		QJ511	12,060,929	8,134,174
Passed through State of Florida Department of Children and Families		QJ3E0	<u>13,247,829</u>	<u>8,368,546</u>
<b>Total Foster Care Title IVE</b>	93.658*		<u>25,347,631</u>	<u>16,502,720</u>
<b>Adoption Assistance</b>				
Passed through Brevard Family Partnership		SUP1401	10,276	-
Passed through State of Florida Department of Children and Families		QJ511	8,392,567	1,020,115
Passed through State of Florida Department of Children and Families		QJ3E0	<u>9,048,441</u>	<u>1,828,706</u>
<b>Total Adoption Assistance</b>	93.659		<u>17,451,284</u>	<u>2,848,821</u>
<b>Social Services Block Grant</b>				
Passed through State of Florida Department of Children and Families		QJ511	3,632,340	2,403,741
Passed through State of Florida Department of Children and Families		QJ3E0	<u>3,760,447</u>	<u>2,427,685</u>
<b>Total Social Services Block Grant</b>	93.667		<u>7,392,787</u>	<u>4,831,426</u>
<b>Administration for Children, Youth and Families - Child</b>				
Passed through State of Florida Department of Children and Families		QJ511	69,752	57,588
Passed through State of Florida Department of Children and Families		QJ3E0	<u>53,309</u>	<u>42,980</u>
<b>Total Administration for Children, Youth and Families - Child</b>	93.669		<u>123,061</u>	<u>100,568</u>
<b>Independent Living</b>				
Passed through State of Florida Department of Children and Families		QJ511	262,515	262,515
Passed through State of Florida Department of Children and Families		QJ3E0	<u>343,230</u>	<u>343,230</u>
<b>Total Independent Living</b>	93.674		<u>605,745</u>	<u>605,745</u>

(Continued)

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

Federal Grantor/Program Title/ Pass through Grantor	Federal CFDA Number	Contract Number	Federal Expenditures	Amount Provided to Subrecipients
<b>Medical Assistance Program</b>				
Passed through State of Florida Department of Children and Families		QJ511	\$ 8,486	\$ 8,486
Passed through State of Florida Department of Children and Families		QJ3E0	34,387	12,749
<b>Total Medical Assistance Program</b>	93.778		<u>42,873</u>	<u>21,235</u>
<b>Adoption Incentive Payments</b>				
Passed through State of Florida Department of Children and Families		QJ511	404,390	-
Passed through State of Florida Department of Children and Families		QJ3E0	388,578	-
<b>Total Adoption Incentive Payments</b>	93.603		<u>792,968</u>	<u>-</u>
<b>Headstart</b>				
Early Headstart Program		04HP0025/01	113,045	-
<b>Total Headstart</b>	93.600		<u>113,045</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>69,643,407</u>	<u>39,922,084</u>
<b>Erate</b>	84.XXX		<u>179,422</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>\$ 70,307,509</u>	<u>\$ 39,922,084</u>

\* major federal program

See accompanying notes to the  
Schedule of Expenditures of Federal Awards and State Financial Assistance.

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2015

State Agency/Program Title/Contract Description	State CSFA Number	Contract Number	State Expenditures	Amount Provided to Subrecipients
<b>Department of Children and Families</b>				
Out of Home Supports				
Community Based Care Supports		QJ511	\$ 2,322,310	\$ 1,814,895
Community Based Care Supports		QJ3E0	2,784,766	2,050,368
	60.074**		<u>5,107,076</u>	<u>3,865,263</u>
In Home Supports				
Community Based Care Supports		QJ511	562,298	562,298
	60.075		<u>562,298</u>	<u>562,298</u>
Sexually Exploited Children				
Community Based Care Supports		QJ511	304,860	38,100
Community Based Care Supports		QJ3E0	187,856	62,100
	60.138**		<u>492,716</u>	<u>100,200</u>
Independent Living				
Community Based Care Supports		QJ511	950,130	63,105
Community Based Care Supports		QJ3E0	1,061,887	84,638
	60.112		<u>2,012,017</u>	<u>147,743</u>
<b>Total Department of Children and Families</b>			<u>8,174,107</u>	<u>4,675,504</u>
<b>Total State Financial Assistance</b>			<u>\$ 8,174,107</u>	<u>\$ 4,675,504</u>

\*\* major state projects

See accompanying notes to the  
Schedule of Expenditures of Federal Awards and State Financial Assistance.

ECKERD YOUTH ALTERNATIVES, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Eckerd Youth Alternatives, Inc. ("Eckerd") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and Chapter 10.650, Rules of the Auditor General of the State of Florida.

Eckerd Youth Alternatives, Inc. is the registered legal name with the State of Florida. However, the organization began doing business (d/b/a) as Eckerd in April 2011.

**NOTE 2 - CONTINGENCIES**

Expenditures incurred by Eckerd and the subgrantees associated with the execution of various grants are subject to audit and possible disallowance by the grantor agency. Eckerd would be held responsible for recovery (reimbursement to the grantor agency) of disallowed amounts incurred by a subgrantee if the subgrantee were not able to do so. Management believes that if audited, any adjustment for disallowed expenses would be immaterial in amount.

**NOTE 3 - NON-CASH ASSISTANCE/FEDERAL INSURANCE**

Eckerd had no non-cash assistance or Federal Insurance in force during the fiscal year.

ECKERD YOUTH ALTERNATIVES, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2015

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	No

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Internal control over major federal programs and state projects:	
Material weakness(es) identified	Yes
Significant deficiency(ies) identified not considered to be material weaknesses	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a), and Chapter 10.650	Yes

Identification of major programs:

<u>CFDA/CSFA Number</u>	<u>Name of Program</u>
<u>Federal:</u>	
93.658	Foster Care – Title IV – E
<u>State:</u>	
60.074	Community-Based Care (CBC) – Out-of-Home Supports
60.138	Community-Based Care (CBC) – Sexually Exploited Children

Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$2,106,303
State	\$300,000
Auditee qualified as low-risk	Yes

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(Continued)

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No items noted.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**Finding 2015-001: Eligibility -- Material Weakness**

**Impacted Program:**

Federal Agency: Department of Health and Human Services

Program: Foster Care

CFDA Number: 93.658

**Criteria:**

OMB Circular A-110 requires non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

**Questioned Costs:**

None

**Condition:**

The Organization does not have consistent documented review process between their community alternative jurisdictions.

**Cause:**

One of two jurisdictions has formal documented review processes while the other has no formal policies, procedures, or documentation related to their quality control processes over eligibility for individuals.

**Effect:**

Eligibility determinations could be inaccurate.

**Recommendations:**

Crowe recommends that both jurisdictions utilize the formal review policies and process that have been developed.

**Management's View and Corrective Action Plan:**

Eckerd agrees with the recommendation. Both programs are now utilizing the formal review process that was developed.

ECKERD YOUTH ALTERNATIVES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

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**SECTION IV - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**Finding 2015-002: Eligibility -- Material Weakness**

**Impacted Program:**

State Agency: Department of Children and Families  
Program: Commercial Sexually Exploited Children (CSEC)  
CSFA Number: 60.138

**Criteria:**

Florida rules require entities receiving state financial assistance to establish and maintain internal controls designed to reasonably ensure compliance with state laws, regulations, and project compliance requirements.

**Questioned Costs:**

None

**Condition:**

There are no formalized quality control processes and procedures in place related to the specific CSEC eligibility requirements.

**Cause:**

There are no formalized quality control processes and procedures in place related to the specific CSEC eligibility requirements.

**Effect:**

Eligibility determinations could be inaccurate.

**Recommendations:**

Crowe recommends the Organization develop and implement quality control processes related to the CSEC program eligibility.

**Management's View and Corrective Action Plan:**

Eckerd agrees with the recommendation. Both programs are now utilizing the formal review process that was developed.

The first name in second chances.<sup>SM</sup>

**Eckerd**

100 Starcrest Drive | Clearwater, FL 33765  
(727) 461-2990 | **Eckerd.org**

The Board of Directors  
Eckerd Youth Alternatives, Inc.  
Clearwater, Florida

## Report on the Financial Statements

We have audited the consolidated financial statements of Eckerd Youth Alternatives, Inc. ("Eckerd Kids") as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 3, 2015. Our report includes a reference to other auditors who audited the financial statements of Paxen, LLC and CARING for Children, Inc., as described in our report on Eckerd Kids' financial statements. This report includes our consideration of the results of the other auditors' testing that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

## Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*.

## Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and Report on Internal Control over Compliance in accordance with OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 3, 2015, should be considered in conjunction with this management letter.

## Other Matters Section

10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we have noted our findings and recommendations under the heading Current Year Recommendations. Matters communicated in this letter are classified as follows:

Deficiency – A control deficiency 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.

Management's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on those responses.

**Current Year Recommendations**

<b>2015-003 DOCUMENTED REVIEW AND APPROVAL OF REPORTS SUBMITTED TO FUNDING AGENCIES</b>		<b>Deficiency</b>
<b>Condition:</b>	There is not a documentation of a formal review process taking place for reports that are required to be submitted to the funding agencies. The reports are generated electronically and then submitted directly to the funding agencies contract manager.	
<b>Criteria:</b>	Formal control procedures should be in place for grant reporting.	
<b>Cause:</b>	There are a significant amount of reports that are required to be submitted and a limited number of staff. Also, the contract managers of the main funding source work so closely with their subrecipient entities that they offer a more efficient oversight control than could be attained internally.	
<b>Effect:</b>	Inaccurate information could be submitted to the funding agencies.	
<b>Recommendation:</b>	Crowe recommends that a review/approval process be established, such as the reports are prepared by one individual and then sent to another individual in management to review and submit to the agency.	
<b>Management's Response:</b>	We will review the ability and practicality of reviewing contract reports prior to submission to the funding agencies.	

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Tampa, Florida  
December 3, 2015