



## **Financial Statements**

June 30, 2017 and 2016

**ECKERD CONNECTS**  
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## 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. (d/b/a "Eckerd Connects"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years 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 audits. CARING for Children, Inc. and Paxen, LLC are wholly owned subsidiaries. For the year ended June 30, 2017, we did not audit the financial statements of Paxen, LLC and for the year ended June 30, 2016, we did not audit the financial statements of CARING for Children, Inc. or Paxen, LLC, which represent the percentages of total assets and revenues listed below, respectively.

	<u>2017</u>		<u>2016</u>	
	<u>Assets</u>	<u>Revenues</u>	<u>Assets</u>	<u>Revenues</u>
CARING for Children, Inc.	N/A	N/A	2.65%	1.83%
Paxen, LLC	<u>4.81%</u>	<u>5.56%</u>	<u>4.37%</u>	<u>4.78%</u>
	<u>4.81%</u>	<u>5.56%</u>	<u>7.02%</u>	<u>6.61%</u>

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 Paxen, LLC for the year ended June 30, 2017 and for CARING for Children, Inc. and Paxen, LLC for the year ended June 30, 2016, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. 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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eckerd Connects as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of Eckerd Connects' 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 Connects' internal control over financial reporting and compliance.



Crowe Horwath LLP

Tampa, Florida  
December 29, 2017

**ECKERD CONNECTS**  
**STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and cash equivalents	\$12,198,094	\$18,748,128
Restricted cash	1,068,136	809,827
Accounts receivable	13,185,308	8,143,054
Contributions receivable	724,998	576,794
Prepaid expenses	1,369,305	937,789
Deposits	456,668	493,701
Intangible assets	3,525,158	3,531,785
Other assets	-	67,452
Investments	4,815,506	4,182,416
Notes receivable	1,133,285	1,379,770
Goodwill	909,294	909,294
Property and equipment (net)	9,106,932	9,015,743
Beneficial interest in perpetual trust	24,325,949	22,648,329
	<b>\$72,818,633</b>	<b>\$71,444,082</b>
<b>Total assets</b>		
 <b>Liabilities and net assets:</b>		
<b>Liabilities:</b>		
Accounts payable	\$6,875,349	\$7,164,872
Accrued expenses	8,358,726	6,730,715
Capital lease payable	577,367	306,717
Long term debt	1,283,556	1,587,590
Accrued pension - defined contribution	844,864	545,214
Deferred revenue	296,383	3,429,324
Accrued pension - deferred compensation	445,109	370,699
<b>Total liabilities</b>	<b>18,681,354</b>	<b>20,135,131</b>
 <b>Net assets:</b>		
Unrestricted		
Undesignated	22,677,141	22,435,408
Designated	4,952,299	4,404,066
Temporarily restricted	2,219,912	1,855,346
Permanently restricted	24,287,927	22,614,131
<b>Total net assets</b>	<b>54,137,279</b>	<b>51,308,951</b>
	<b>\$72,818,633</b>	<b>\$71,444,082</b>
<b>Total liabilities and net assets</b>		

**ECKERD CONNECTS**  
**STATEMENTS OF ACTIVITIES**

Years ended June 30, 2017 and 2016

	Year Ended June 30, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues and gains</b>				
Program revenue	\$ 212,259,226	\$ -	\$ -	\$212,259,226
Contributions	1,140,620	3,197,883	-	4,338,503
Interest and dividends net of fees	119,628	-	-	119,628
Gain on sale of assets	93,035	-	-	93,035
Other revenue	215,200	-	-	215,200
<b>Total revenues and gains</b>	<u>213,827,709</u>	<u>3,197,883</u>	<u>-</u>	<u>217,025,592</u>
<b>Net assets released from restrictions for operations</b>				
Satisfaction of donor restrictions	2,833,317	(2,833,317)	-	-
<b>Total net assets released from restrictions for operations</b>	<u>2,833,317</u>	<u>(2,833,317)</u>	<u>-</u>	<u>-</u>
<b>Total revenues and gains</b>	<u>216,661,026</u>	<u>364,566</u>	<u>-</u>	<u>217,025,592</u>
<b>Expenses</b>				
Operating	214,629,154	-	-	214,629,154
<b>Total expenses</b>	<u>214,629,154</u>	<u>-</u>	<u>-</u>	<u>214,629,154</u>
<b>(Decrease)/Increase in net assets from operations</b>	<u>2,031,872</u>	<u>364,566</u>	<u>-</u>	<u>2,396,438</u>
<b>Non-operating activity</b>				
Investment gain (loss)	488,216	-	-	488,216
Other Expenses	(1,733,947)	-	-	(1,733,947)
Contribution received in donation from Henkels and McCoy	-	-	-	-
Change in value of beneficial interest in perpetual trust	3,825	-	1,673,796	1,677,621
<b>Total non-operating activity</b>	<u>(1,241,906)</u>	<u>-</u>	<u>1,673,796</u>	<u>431,890</u>
<b>(Decrease)/Increase in net assets</b>	<u>789,966</u>	<u>364,566</u>	<u>1,673,796</u>	<u>2,828,328</u>
<b>Net assets at beginning of year</b>	<u>26,839,474</u>	<u>1,855,346</u>	<u>22,614,131</u>	<u>51,308,951</u>
<b>Net assets at end of year</b>	<u>\$27,629,440</u>	<u>\$2,219,912</u>	<u>\$24,287,927</u>	<u>\$54,137,279</u>

<b>Year Ended June 30, 2016</b>			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 187,822,239	\$ -	\$ -	\$187,822,239
1,283,414	3,739,558	-	5,022,972
197,315	-	-	197,315
30,604	-	-	30,604
172,891	-	-	172,891
<u>189,506,463</u>	<u>3,739,558</u>	<u>-</u>	<u>193,246,021</u>
<u>3,760,000</u>	<u>(3,760,000)</u>	<u>-</u>	<u>-</u>
<u>3,760,000</u>	<u>(3,760,000)</u>	<u>-</u>	<u>-</u>
<u>193,266,463</u>	<u>(20,442)</u>	<u>-</u>	<u>193,246,021</u>
<u>190,064,480</u>	<u>-</u>	<u>-</u>	<u>190,064,480</u>
<u>190,064,480</u>	<u>-</u>	<u>-</u>	<u>190,064,480</u>
<u>3,201,983</u>	<u>(20,442)</u>	<u>-</u>	<u>3,181,541</u>
(110,600)	-	-	(110,600)
(2,256,318)	-	-	(2,256,318)
3,593,499	-	-	3,593,499
(1,513)	-	(483,722)	(485,235)
<u>1,225,068</u>	<u>-</u>	<u>(483,722)</u>	<u>741,346</u>
4,427,051	(20,442)	(483,722)	3,922,887
<u>22,412,423</u>	<u>1,875,788</u>	<u>23,097,853</u>	<u>47,386,064</u>
<u>\$26,839,474</u>	<u>\$1,855,346</u>	<u>\$22,614,131</u>	<u>\$51,308,951</u>

**ECKERD CONNECTS**  
**STATEMENTS OF CASH FLOWS**

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 2,828,328	\$ 3,922,887
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,376,471	1,150,441
Unrealized (gain) loss on investments	(488,216)	110,600
Gain on sale and retirement of fixed assets	(93,035)	(30,604)
Change in value of beneficial interest in perpetual trust	(1,677,621)	485,235
Contribution on acquisition of Henkels & McCoy	-	(3,593,499)
(Increase) decrease in assets:		
Receivables	(4,943,973)	1,274,337
Prepaid expenses	(431,516)	(113,782)
Deposits	37,033	34,250
Other	74,079	114,591
Increase (decrease) in liabilities:		
Accounts payable	(289,523)	(1,926,093)
Accrued expenses	1,628,011	2,429,783
Accrued pension - defined contribution	299,650	(280,545)
Deferred revenue	(3,132,941)	(1,206,359)
Accrued pension - deferred compensation	74,410	69,644
<b>Net cash provided (used) by operating activities</b>	<b>(4,738,843)</b>	<b>2,440,886</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(1,530,752)	(1,212,776)
Proceeds from disposal of property and equipment	156,129	33,332
Purchase of investments	(3,976,438)	(2,271,344)
Proceeds from disposal of investments	3,831,563	2,096,800
<b>Net cash used by investing activities</b>	<b>(1,519,498)</b>	<b>(1,353,988)</b>
<b>Cash flows from financing activities</b>		
Payments on short term borrowing	-	(1,118,626)
Proceeds from long term debt	-	1,612,417
Payments on long term debt	(33,384)	(1,259,966)
<b>Net cash flows used by financing activities</b>	<b>(33,384)</b>	<b>(766,175)</b>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	(6,291,725)	320,723
<b>Cash, cash equivalents and restricted cash, beginning of year</b>	19,557,955	19,237,232
<b>Cash, cash equivalents and restricted cash, end of year</b>	<b>\$13,266,230</b>	<b>\$19,557,955</b>
<b>Supplemental Schedule of Noncash Investing Activities:</b>		
Assets acquired under capital lease	\$ 455,421	\$ 259,623
Interest paid	\$ 114,396	\$ 116,140
Eckerd acquired Henkels & McCoy in 2016 for no consideration. In conjunction with the acquisition, liabilities were assumed and a contribution was received from Henkels & McCoy as follows:		
Fair value of assets acquired	\$ -	\$ 3,593,499
Contribution received in acquisition of Henkels & McCoy	\$ -	\$ 3,593,499

**ECKERD CONNECTS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Years ended June 30, 2017 and 2016

	Year Ended June 30, 2017				
	Residential Programs	Non-Residential Programs	Lead Agency	Central Services	Total
<b>Operating expenses</b>					
Payroll and related expenses	\$ 8,943,054	\$ 24,668,834	\$ 10,724,632	\$ 9,233,951	\$ 53,570,471
Employee related	59,736	136,817	25,093	45,523	267,169
Training	53,734	351,414	79,538	146,938	631,624
Supplies & materials	213,880	1,157,977	145,035	153,737	1,670,629
Food	481,011	30,649	35	-	511,695
Technology	8,139	719,607	156,177	262,595	1,146,518
Travel	53,838	1,471,740	169,680	486,647	2,181,905
Vehicle	73,016	107,663	7,525	43,675	231,879
Repairs and maintenance	197,561	266,989	83,392	73,239	621,181
Utilities	374,086	155,874	45,488	62,298	637,746
Telephone	143,377	372,467	301,021	276,003	1,092,868
Depreciation	605,171	158,042	12,695	592,479	1,368,387
Insurance	332,946	449,600	667,381	227,505	1,677,432
Professional fees	287,951	2,860,257	153,465	3,384,680	6,686,353
Rent	115,428	1,522,966	1,926,759	116,796	3,681,949
Purchased services	328	4,850,246	119,455,932	1,023,969	125,330,475
Client related	319,597	7,038,393	3,941,157	29,685	11,328,832
Miscellaneous	93,361	1,618,337	538,842	(258,499)	1,992,041
<b>Total operating expenses</b>	<u>\$ 12,356,214</u>	<u>\$ 47,937,872</u>	<u>\$ 138,433,847</u>	<u>\$ 15,901,221</u>	<u>\$ 214,629,154</u>

**Year Ended June 30, 2016**

<b>Residential Programs</b>	<b>Non-Residential Programs</b>	<b>Lead Agency</b>	<b>Central Services</b>	<b>Total</b>
\$ 8,631,348	\$ 14,909,691	\$ 10,223,876	\$ 8,898,869	\$ 42,663,784
79,383	90,571	29,533	92,345	291,832
58,068	236,011	49,436	115,962	459,477
241,411	1,036,485	156,062	172,522	1,606,480
539,578	25,258	-	413	565,249
25,356	251,832	107,257	339,765	724,210
70,972	1,070,762	156,086	550,708	1,848,528
82,951	151,411	(4,835)	38,527	268,054
241,413	429,952	69,503	73,593	814,461
390,867	119,119	42,670	68,033	620,689
162,845	328,857	373,361	286,683	1,151,746
573,344	89,018	15,296	456,834	1,134,492
286,750	400,429	675,650	224,604	1,587,433
264,097	2,666,792	173,243	1,784,735	4,888,867
153,364	1,123,197	1,876,590	98,144	3,251,295
1,268	4,435,680	114,622,344	1,569,042	120,628,334
287,213	2,437,262	2,796,760	24,567	5,545,802
88,388	1,295,692	614,192	15,475	2,013,747
<u>\$ 12,178,616</u>	<u>\$ 31,098,019</u>	<u>\$ 131,977,024</u>	<u>\$ 14,810,821</u>	<u>\$ 190,064,480</u>

**ECKERD CONNECTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**1. Organization and Nature of Activities**

Eckerd Connects is one of the largest nonprofit child and family service organizations in the United States. Eckerd Connects is an established national leader that has given much needed second chances to more than 200,000 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 25,000 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 Connects takes. Built on a bedrock of solution-oriented programs, Eckerd Connects 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 as (d/b/a) Eckerd Connects in October 2017. For more information about Eckerd Connects, please visit [www.Eckerd.org](http://www.Eckerd.org).

Effective August 31, 2014, Eckerd Connects 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 consisting of Eckerd Connects Kid's senior executive team.

Eckerd Connects acquired Paxen, LLC, 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.

On April 1, 2016, Eckerd Connects acquired substantially all of the assets of Henkels and McCoy, Inc.'s Training Services Group, through a mutually agreed upon asset contribution agreement. Henkels and McCoy, Inc.'s Training Services Group provides workforce training programs that require basic education and employment skills, in order to obtain good jobs or enroll in post-secondary education. H&M's Training Services Group specializes in operating programs for At-Risk youth, whether In-School or Out-of-School, who are participating in federal programs providing workforce training assistance.

**ECKERD CONNECTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies**

Principles of Consolidation – The consolidated financial statements include the accounts of Eckerd Connects 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 Connects 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.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Eckerd Connects 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 Connects 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 primarily consists 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.

**ECKERD CONNECTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

Notes Receivable – Notes receivable consist of a mortgage 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.

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. All property and equipment over \$5,000 is capitalized.

**ECKERD CONNECTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

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 Connects 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.

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 years ended June 30, 2017 and 2016, 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, 2017 and 2016 were \$630,817 and \$529,438, respectively, and is included in other expense.

**ECKERD CONNECTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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

Management's Review

Management has evaluated subsequent events and transactions for potential recognition or disclosure through December 29, 2017 which is the date the financial statements were available to be issued.

Income Tax – Eckerd Connects has received determination of tax exempt status from the Internal Revenue Service Code Section 501(c)(3) and, consequently, the earnings of Eckerd Connects 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 Connects is no longer subject to examination by taxing authorities for years before June 30, 2014. Eckerd Connects does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. Eckerd Connects recognizes interest and/or penalties related to income tax matters in income tax expense. Eckerd Connects did not have any amount accrued for interest and penalties at June 30, 2017 and 2016.

**3. Contributions Receivable**

Future amounts of contributions receivable at June 30, 2017 and 2016 are estimated as follows:

	<u>2017</u>	<u>2016</u>
Contributions Receivable	\$724,998	\$576,794

Contributions receivable consist primarily of promises from a private foundation. Therefore, no discount or allowance was deemed necessary.

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**4. Intangible Assets**

Intangible assets consist of timber rights for property owned in North Carolina and customer relationships received in connection with the contribution from Henkels & McCoy. Gross carrying amounts and accumulated amortization as of June 30, 2017 and 2016 are as follows:

	<u>June 30, 2017</u>		<u>June 30, 2016</u>	
	<u>Gross Carrying</u>	<u>Accumulated</u>	<u>Gross Carrying</u>	<u>Accumulated</u>
	<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>	<u>Amortization</u>
Timber Rights	\$ 132,549	\$16,569	\$ 132,549	\$9,942
Customer Relationships	<u>3,409,178</u>	<u>-</u>	<u>3,409,178</u>	<u>-</u>
Total	<u>\$3,541,727</u>	<u>\$16,569</u>	<u>\$3,541,727</u>	<u>\$9,942</u>

Timber rights have an expected useful life of 20 years and are being amortized based on straight line method. Customer relationships have an expected useful life of 15 years and are being amortized based on expected future cash flows. Total expense recognized as a result of amortization of intangible assets was \$6,628 for 2017 and 2016 and is included in other operating expense on the statement of activities.

**5. Other Assets**

The following summarizes other assets at June 30, 2016:

	<u>2017</u>	<u>2016</u>
Capitalized pre-contract costs	\$ -	\$67,452

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 \$67,452 and \$67,453 for the years ended June 30, 2017 and 2016, respectively.

**6. Investments**

Investments are recorded at fair value and are summarized at June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Corporate Bonds	\$1,711,745	\$1,603,813
Equity Securities	<u>3,103,761</u>	<u>2,578,603</u>
	<u>\$4,815,506</u>	<u>\$4,182,416</u>

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**6. Investments (continued)**

Investment income from these investments for the years ended June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 86,538	\$ 79,233
Investment Fees	(36,714)	(26,224)
Net Realized and Unrealized Gains (Losses)	<u>488,216</u>	<u>(110,600)</u>
	<u>\$538,040</u>	<u>\$(57,591)</u>

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 Connects. The net realized and unrealized gain (loss) is included in the non-operating section since it is not utilized in operations.

**7. Fair Value Measurement**

FASB 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 for the year ended June 30, 2017.

*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.

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

*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.

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 at June 30, 2017 and 2016:

<u>Investments</u>	<u>2017</u>			
	Assets Measured at Fair Value	Level 1	Level 2	Level 3
Equities				
Health Care	\$508,878	\$508,878	\$ -	\$ -
Consumer Staples	360,092	360,092	-	-
Information Technology	799,933	799,933	-	-
Consumer Discretionary	263,457	263,457	-	-
Industrials	395,932	395,932	-	-
Materials	69,483	69,483	-	-
Financials	563,207	563,207	-	-
Telecommunication	7,659	7,659	-	-
Utilities	36,046	36,046	-	-
Energy	99,074	99,074	-	-
Fixed Income				
Long Term Bond	305,414	305,414	-	-
Intermediate Term Bond	561,559	561,559	-	-
Short Term Bond	844,772	844,772	-	-
Subtotal	4,815,506	4,815,506	-	-
Beneficial Interest in Perpetual Trust	24,325,949	-	-	24,325,949
Grand Total	<u>\$29,141,455</u>	<u>\$4,815,506</u>	<u>\$ -</u>	<u>\$24,325,949</u>

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

	<u>2016</u>			
	Assets			
	Measured			
	at			
<u>Investments</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities				
Health Care	\$423,018	\$423,018	\$ -	\$ -
Consumer Staples	209,362	209,362	-	-
Information Technology	585,711	585,711	-	-
Consumer Discretionary	409,382	409,382	-	-
Industrials	258,388	258,388	-	-
Materials	114,903	114,903	-	-
Financials	347,352	347,352	-	-
Telecommunication	41,482	41,482	-	-
Utilities	21,596	21,596	-	-
Energy	167,410	167,410	-	-
Fixed Income				
Long Term Bond	258,107	258,107	-	-
Intermediate Term Bond	565,272	565,272	-	-
Short Term Bond	859,724	859,724	-	-
Subtotal	<u>4,182,416</u>	<u>4,182,416</u>	-	-
Beneficial Interest in Perpetual Trust	<u>22,648,329</u>	-	-	<u>22,648,329</u>
Grand Total	<u>\$26,830,745</u>	<u>\$4,182,416</u>	<u>\$ -</u>	<u>\$22,648,329</u>

The following provides further details of the Level 3 fair value measurement for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$22,648,329	\$23,133,479
Change in beneficial interests in trusts	<u>1,677,620</u>	<u>(485,150)</u>
Ending balance	<u>\$24,325,949</u>	<u>\$22,648,329</u>

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 years ended June 30, 2017 and 2016.

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**8. Property and Equipment**

Property and equipment at June 30, 2017 and 2016 are summarized as follows:

	<u>Estimated Life</u>	<u>2017</u>	<u>2016</u>
Land	10 – 20 years	\$ 1,935,740	\$ 1,935,740
Building and improvements	5 years	14,714,973	14,517,377
Furniture and equipment	3 – 10 years	6,584,291	6,611,576
Transportation equipment	4 years	1,455,360	1,031,474
Construction in progress		<u>1,146,194</u>	<u>705,082</u>
<b>Total</b>		25,836,558	24,801,249
Less accumulated depreciation		<u>(16,729,626)</u>	<u>(15,785,506)</u>
<b>Net property and equipment</b>		<u>\$ 9,106,932</u>	<u>\$ 9,015,743</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$1,376,471 and \$1,150,441, respectively. Amortization on capitalized assets is included in the depreciation expense.

**9. 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.

**10. Capital Leases Payable**

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

	<u>2017</u>	<u>2016</u>
Equipment	\$736,019	\$431,959
Less: accumulated depreciation	<u>(284,010)</u>	<u>(136,618)</u>
	<u>\$452,009</u>	<u>\$295,341</u>

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 July 2022. The capital leases are secured by the related equipment. Eckerd Connects acquired property and equipment under capital lease obligations of approximately \$455,421 and \$259,623 which was excluded from the Statement of Cash Flows at June 30, 2017 and 2016, respectively.

**ECKERD CONNECTS**  
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**10. Capital Leases Payable (continued)**

Future minimum payments at June 30, 2017 are as follows:

2018	\$ 185,389
2019	185,389
2020	139,975
2021	99,765
2022	<u>10,204</u>
Total minimum lease payments	620,722
Less: amount representing interest	<u>(43,355)</u>
Present value of lease payments	<u>\$577,367</u>

Interest expense on all long term obligations for the years ended June 30, 2017 and 2016 was \$53,453 and \$4,116, respectively.

**11. Long Term Debt**

Long term debt consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Term note with financial institution payable in monthly payments of \$29,181, which includes interest at a rate of 3.24% per annum; matures May 2021; collateralized by all assets of the Organization	<u>\$ 1,283,556</u>	<u>\$ 1,587,590</u>
Total Long Term Debt	<u>\$ 1,283,556</u>	<u>\$1,487,590</u>

Scheduled principal payments at June 30, 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 312,974
2019	323,496
2020	334,134
2021	<u>312,952</u>
	<u>\$1,283,556</u>

**ECKERD CONNECTS**  
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**12. Net Assets**

Unrestricted Designated Net Assets

Unrestricted designated net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Endowment designated for future use	\$4,952,299	\$4,404,066

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Donor Restricted for Purpose:		
Scholarship	\$ 87,344	\$ 105,252
Program Growth and Transformation	-	110,481
Program Activities	1,407,570	1,424,724
Restricted for Time	<u>724,998</u>	<u>214,889</u>
	<u>\$2,219,912</u>	<u>\$1,855,346</u>

Permanently Restricted Net Assets

Permanently restricted net assets consist of two perpetual trusts held by third parties. Eckerd Connects is an income beneficiary on these trusts. The balance at June 30, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
National Foundation for Youth	\$22,601,167	\$21,005,994
Richard J. Ross Trust	<u>1,686,760</u>	<u>1,608,137</u>
	<u>\$24,287,927</u>	<u>\$22,614,131</u>

**ECKERD CONNECTS**  
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**13. Employee Benefit Plans**

Flexible Spending Plan - Effective January 1, 1993, Eckerd Connects 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 Connects offers a 403(b) tax deferred annuity program to its employees. The program began in 1985 and participation is voluntary. Eckerd Connects makes no contributions to this program.

Defined Contribution Benefit Plans - On July 1, 1993, Eckerd Connects adopted a defined contribution pension plan covering substantially all full-time employees. For 2015, employer contributions are made at the rate of 5% of eligible employees' compensation and totaled \$825,759. For 2016, employer contributions were made at the rate of 2% of eligible employees' compensation plus a 50% match on the employees contribution to a maximum amount of 3%. The employer contributions for 2017 totaled \$678,051.

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. The Organization made a one-time matching contribution of \$2,285 for the year ended June 30, 2016 and no contributions were made for year ended June 30, 2017.

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 made for the years ended June 30, 2017 and June 30, 2016.

Deferred Compensation Plan - Effective July 1, 2009, Eckerd Connects 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.

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**14. Lease Commitments**

The Organization leases certain facilities and equipment under cancelable and non-cancelable operating leases. The leases require various monthly payments and expire through 2023. Future minimum annual rental payments on non-cancelable operating leases as of June 30, 2017 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 1,805,595
2018	664,383
2019	561,982
2020	141,101
2021	100,809
Thereafter	<u>106,695</u>
	<u>\$ 3,380,565</u>

**15. Insurance Coverage**

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

Health Insurance - For the years ended June 30, 2017 and 2016, health insurance expense was \$5,362,209 and \$4,486,395, respectively.

Workers Compensation – Eckerd Connects has two policies to cover workers’ compensation for all states. Eckerd Connects pays a deductible up to \$350,000 per occurrence. Eckerd Connects is insured by an outside agency for any claims in excess of these amounts. At June 30, 2017 and 2016, Eckerd Connects had an accumulated reserve (liability) of \$631,732 and \$535,388, respectively, to cover any outstanding claims related to workers compensation. There is a letter of credit for \$1,400,000 at June 30, 2017, required by the insurance agent to help insure payment of all claims. Management believes sufficient reserves have been established at June 30, 2017.

Cyber Liability – Eckerd Connects 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.

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**15. Insurance Coverage (continued)**

Employment Practices/Directors & Officers Liability – This policy has a \$6,000,000 limit and \$12,000,000 aggregate with a \$100,000 deductible for Directors & Officers claims and a \$50,000 deductible for Employment Practices claims.

General Liability – Eckerd Connects 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 Connects 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 Connects 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 Connects received contributions totaling \$424,045 and \$445,902 from Board members during the years ended June 30, 2017 and 2016, respectively.

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

Eckerd Connects 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, 2017, no reserve for uncollectible accounts was considered necessary. The following is the estimated concentration of revenue and receivables for the years ended June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Revenue</u>	<u>Receivable</u>	<u>Revenue</u>	<u>Receivable</u>
Federal Sources	41%	48%	44%	13%
State Sources	<u>59%</u>	<u>52%</u>	<u>56%</u>	<u>87%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

**ECKERD CONNECTS**  
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**17. Credit Policy and Concentration of Credit Risk (continued)**

Eckerd Connects 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, 2017 and 2016, Eckerd Connects and Paxen held approximately \$14,486,986 and \$20,043,067, respectively, 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 Connects has performed due diligence on the financial institutions used and is relying on the financial strength of these institutions.

**18. Endowments**

Eckerd Connects' 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 Connects 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 Connects 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 Connects' 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 Connects 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.

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**18. Endowments (continued)**

Endowment net asset composition by type of fund at June 30, 2017 and 2016:

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$24,287,927	\$24,287,927	\$ -	\$22,614,131	\$22,614,131
Board designated	4,952,299	-	4,952,299	4,404,066	-	4,404,066
	<u>\$4,952,299</u>	<u>\$24,287,927</u>	<u>\$29,240,226</u>	<u>\$4,404,066</u>	<u>\$22,614,131</u>	<u>\$27,018,197</u>

Changes in the endowment net assets for the years ended June 30, 2017 and 2016:

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$4,404,066	\$22,614,131	\$27,018,197	\$4,375,871	\$23,097,853	\$27,473,724
Investment income	86,538	-	86,538	79,233	-	79,233
Payments (fees, tax, distributions)	(36,714)	-	(36,714)	(26,224)	-	(26,224)
Transfer	49,131	-	49,131	85,786	-	85,786
Unrealized gain (loss)	449,278	-	449,278	(110,600)	-	(110,600)
Change in beneficial interest in trusts	-	1,673,796	1,673,796	-	(483,722)	(483,722)
Endowment net assets, end of year	<u>\$4,952,299</u>	<u>\$24,287,927</u>	<u>\$29,240,226</u>	<u>\$4,404,066</u>	<u>\$22,614,131</u>	<u>\$27,018,197</u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
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	\$1,132,611
Asheville – The interest rate on the note is 7.5%. Monthly payments of \$1,980 consist of both principal and interest. The final balloon payment was due in April 2016 but was extended. The note was paid off in September 2016.	-	247,159
Total	<u>\$1,112,107</u>	<u>\$1,379,770</u>

At June 30, 2017 and 2016, the notes were considered collectible so no reserve was necessary. There is no allowance for credit losses.

**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 Connects has complied with all provisions of the grants and that such contingency is remote.

Eckerd Connects 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, 2017 and 2016.

**ECKERD CONNECTS**  
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**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 Connect's 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 Connects also reviews the quarterly investment statements and provides input as needed. For the years ended June 30, 2017 and 2016, NFY provided funding of \$2,572,038 and \$2,655,489, respectively.

**22. Acquisition – Henkels and McCoy**

On April 1, 2016, Eckerd Connects acquired substantially all of the assets of Henkels and McCoy, Inc.'s Training Services Group, through a mutually agreed upon asset contribution agreement. Eckerd Connects previously had no affiliation with Henkels and McCoy, Inc. Henkels & McCoy, Inc.'s Training Services Group and Eckerd Connects both 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 (none), Eckerd Connects recognized a contribution in its statement of activities for the year ending June 30, 2016.

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

<b>Assets Acquired:</b>	
Deposits	\$ 25,284
Property and Equipment	159,037
Other Assets (Intangible Asset)	<u>3,409,178</u>
<b>Contribution received in acquisition</b>	<b><u>\$3,593,499</u></b>



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