

The Loveland Center, Inc.

Financial Statements

September 30, 2017

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	-
FINANCIAL STATEMENTS:	
Statement of Financial Position	1
Statement of Activities and Changes in Net Assets	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	5-11
SUPPLEMENTARY INFORMATION:	
Schedule of State Financial Projects	12
Schedule of Findings and Questioned Costs	13
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 <i>Government Auditing Standards</i>	14-15
Report on Compliance for Each State Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Rules of the Auditor General	16-17



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Loveland Center, Inc.

We have audited the accompanying financial statements of The Loveland Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, 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 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 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 financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Loveland Center, Inc. as of September 30, 2017, 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.

Other Matters

Report on Summarized Comparative Information


We have previously audited The Loveland Center, Inc.'s September 30, 2016 financial statements, and expressed an unmodified opinion on those audited financial statements in our report dated January 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state projects is presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of The Loveland Center, Inc.'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 The Loveland Center, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida
January 29, 2018

The Loveland Center, Inc.

Statement of Financial Position
September 30, 2017

ASSETS

	2017					2016 Total (For comparative purposes only)
	Unrestricted		Total Unrestricted	Temporarily Restricted	Total	
	Operating	Property and Equipment				
Current assets:						
Cash and cash equivalents	\$ 726,471	-	726,471	-	726,471	657,176
Accounts receivable	113,268	-	113,268	-	113,268	84,152
Receivable under asset exchange agreement	-	-	-	-	-	400,000
Loveland Village pledges	-	-	-	109,800	109,800	-
Prepaid expenses	15,873	-	15,873	-	15,873	-
Due from other fund	109,800	-	109,800	-	109,800	122,300
Total current assets	965,412	-	965,412	109,800	1,075,212	1,263,628
Other assets:						
Split interest agreements	-	-	-	16,152	16,152	19,328
Loveland Village pledges	-	-	-	-	-	122,300
Investment in Community Foundations	-	-	-	96,897	96,897	75,923
Property and equipment, net	-	13,851,020	13,851,020	-	13,851,020	14,321,311
Investments in Fund for Legacy	16,102	-	16,102	-	16,102	9,105
Total assets	\$ 981,514	13,851,020	14,832,534	222,849	15,055,383	15,811,595

LIABILITIES AND NET ASSETS

Current liabilities:						
Accounts payable	\$ 10,323	-	10,323	-	10,323	537,809
Accrued salaries	26,172	-	26,172	-	26,172	21,565
Current portion of notes payable	-	-	-	-	-	213,997
Due to other fund	-	-	-	109,800	109,800	122,300
Total current liabilities	36,495	-	36,495	109,800	146,295	895,671
Long term liabilities:						
Notes payable, net of current portion	-	2,155,000	2,155,000	-	2,155,000	2,021,420
Liability under asset exchange agreement	100,000	-	100,000	-	100,000	500,000
Total long term liabilities	100,000	2,155,000	2,255,000	-	2,255,000	2,521,420
Total liabilities	136,495	2,155,000	2,291,495	109,800	2,401,295	3,417,091
Net assets:						
Unrestricted						
Operating-undesignated	845,019	-	845,019	-	845,019	(72,104)
Property and equipment	-	11,696,020	11,696,020	-	11,696,020	12,371,357
Temporarily restricted	-	-	-	113,049	113,049	95,251
Total net assets	845,019	11,696,020	12,541,039	113,049	12,654,088	12,394,504
Total liabilities and net assets	\$ 981,514	13,851,020	14,832,534	222,849	15,055,383	15,811,595

See accompanying notes to financial statements.

The Loveland Center, Inc.

Statement of Activities and Changes in Net Assets
Year Ended September 30, 2017

	2017					2016 (For comparative purposes only)
	Unrestricted		Total Unrestricted	Temporarily Restricted	Total	
	Operating	Property and Equipment				
Revenues, Gains and Support:						
Contributions	\$ 556,569	-	556,569	15,000	571,569	690,218
Golf tournament and other fund raising revenue	245,048	-	245,048	-	245,048	222,280
Golf tournament and other fund raising expenses	(48,690)	-	(48,690)	-	(48,690)	(35,653)
Government support	687,965	-	687,965	-	687,965	643,109
DEO Appropriations	-	-	-	-	-	565,423
FHFC Appropriations	-	-	-	-	-	3,000,645
APD Appropriations	1,000,000	-	1,000,000	-	1,000,000	-
United way allocation	32,330	-	32,330	-	32,330	32,000
Tuition and fees	127,756	-	127,756	-	127,756	200,786
Program revenue- workshop	13,255	-	13,255	-	13,255	10,773
Interest	4,571	-	4,571	-	4,571	3,896
In-kind	104,330	-	104,330	-	104,330	525,075
Change in the Fund for Legacy	6,997	-	6,997	-	6,997	1,846
Change in split interest agreements	-	-	-	1,685	1,685	(824)
Realized and unrealized gain on investments	-	-	-	6,373	6,373	3,070
Gain on sale of assets	-	243,788	243,788	-	243,788	-
Net assets released from restrictions:						
Satisfaction of program restrictions	-	5,260	5,260	(5,260)	-	-
Total revenues, gains and support	2,730,131	249,048	2,979,179	17,798	2,996,977	5,862,644
Expenses:						
Program services:						
Educational	1,087,757	110,089	1,197,846	-	1,197,846	1,168,284
Vocational	167,709	-	167,709	-	167,709	124,472
Residential	35,979	-	35,979	-	35,979	432,794
Village	274,686	465,071	739,757	-	739,757	-
Total program services	1,566,131	575,160	2,141,291	-	2,141,291	1,725,550
Supporting services:						
Management and general	458,529	-	458,529	-	458,529	378,769
Fundraising	137,573	-	137,573	-	137,573	189,890
Total supporting services	596,102	-	596,102	-	596,102	568,659
Total expenses	2,162,233	575,160	2,737,393	-	2,737,393	2,294,209
Change in net assets	567,898	(326,112)	241,786	17,798	259,584	3,568,435
Transfer	349,225	(349,225)	-	-	-	-
Net assets- at beginning of year	(72,104)	12,371,357	12,299,253	95,251	12,394,504	8,826,069
Net assets - at end of year	\$ 845,019	11,696,020	12,541,039	113,049	12,654,088	12,394,504

See accompanying notes to financial statements.

The Loveland Center, Inc.

Statement of Functional Expenses
Year Ended September 30, 2017

	2017								2016 Total (For comparative purposes only)
	Program Services					Supporting Services			
	Educational	Vocational	Residential	Village	Total	Management and General	Fundraising	Total	
Operating:									
Salaries	\$ 600,720	122,451	25,223	74,935	823,329	261,885	93,797	1,179,011	1,258,116
Employee benefits	71,252	15,610	386	8,465	95,713	30,058	8,500	134,271	115,299
Payroll taxes	45,256	9,561	2,065	5,898	62,780	20,409	7,398	90,587	99,069
Total salaries and related expenses	<u>717,228</u>	<u>147,622</u>	<u>27,674</u>	<u>89,298</u>	<u>981,822</u>	<u>312,352</u>	<u>109,695</u>	<u>1,403,869</u>	<u>1,472,484</u>
Insurance	65,136	4,711	4,914	773	75,534	7,812	-	83,346	113,549
Printing and postage	4,284	884	-	1,135	6,303	7,562	7,860	21,725	10,557
Professional services	54,544	2,522	261	24,998	82,325	68,731	6,124	157,180	106,314
Repairs and maintenance	65,652	-	361	9,016	75,029	11,075	-	86,104	57,663
Stipends- client work projects	8,523	-	-	-	8,523	-	-	8,523	3,846
Food and supplies	103,656	1,701	223	19,070	124,650	16,758	5,101	146,509	146,012
Taxes	5,181	-	689	774	6,644	4,773	-	11,417	12,037
Telephone	17,029	4,237	540	5,241	27,047	7,483	4,285	38,815	27,130
Travel and staff development	10,712	5,170	910	1,809	18,601	16,585	3,436	38,622	25,980
Utilities	26,431	412	407	29,291	56,541	413	412	57,366	46,458
Marketing	9,413	450	-	9,413	19,276	587	660	20,523	12,884
Bad debt	-	-	-	-	-	-	-	-	23,618
Security	-	-	-	83,868	83,868	-	-	83,868	-
Interest	-	-	-	-	-	4,398	-	4,398	17,210
Other	(32)	-	-	-	(32)	-	-	(32)	(340)
Total expenses- operating	<u>1,087,757</u>	<u>167,709</u>	<u>35,979</u>	<u>274,686</u>	<u>1,566,131</u>	<u>458,529</u>	<u>137,573</u>	<u>2,162,233</u>	<u>2,075,402</u>
Property and equipment:									
Depreciation	<u>110,089</u>	<u>-</u>	<u>-</u>	<u>465,071</u>	<u>575,160</u>	<u>-</u>	<u>-</u>	<u>575,160</u>	<u>218,807</u>
Total functional expenses	<u>\$ 1,197,846</u>	<u>167,709</u>	<u>35,979</u>	<u>739,757</u>	<u>2,141,291</u>	<u>458,529</u>	<u>137,573</u>	<u>2,737,393</u>	<u>2,294,209</u>

See accompanying notes to financial statements.

The Loveland Center, Inc.

Statement of Cash Flows
Year Ended September 30, 2017

	<u>2017</u>	<u>2016 Total (For comparative purposes only)</u>
Cash flows from operating activities:		
Change in net assets	\$ 259,584	3,568,435
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Realized and unrealized gain on investments	(6,373)	(3,070)
Change in the Fund for Legacy	(6,997)	(1,846)
Change in split interest agreements	3,176	2,314
Gain on sale of property and equipment	(243,788)	-
Depreciation	575,160	218,807
(Increase) decrease in:		
Accounts receivable	(29,116)	549,119
Prepaid expenses	(15,873)	58,729
Loveland Village pledges	12,500	252,686
Increase (decrease) in:		
Accounts payable	(527,486)	(244,964)
Accrued salaries	4,607	(40,657)
Due to related party	-	(68,942)
	<u>25,394</u>	<u>4,290,611</u>
Cash flows from operating activities		
Cash flows from investing activities:		
Proceeds from swap agreement	-	100,000
Purchase of investments	(14,601)	-
Proceeds from sale of property and equipment	296,500	-
Purchase of property and equipment	(157,581)	(6,035,498)
	<u>124,318</u>	<u>(5,935,498)</u>
Cash flows from investing activities		
Cash flows from financing activities:		
Proceeds from, payments on line of credit, net	-	(179,756)
Proceeds from note payable	205,046	2,031,554
Payments on note payable	(285,463)	(6,137)
	<u>(80,417)</u>	<u>1,845,661</u>
Cash flows from financing activities		
Net increase in cash	69,295	200,774
Cash and cash equivalents - beginning of year	<u>657,176</u>	<u>456,402</u>
Cash and cash equivalents - end of year	<u>\$ 726,471</u>	<u>657,176</u>

See accompanying notes to financial statements.

The Loveland Center, Inc.

Notes to Financial Statements

September 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

The Loveland Center, Inc. ("the Center") is a not-for-profit corporation. It was incorporated to help individuals with intellectual and developmental disabilities live their lives to the fullest through educational, vocational, residential and recreational programs. The Center is supported by contributions from the general public, fees and grants from governmental agencies, student tuition, and various fundraising activities.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the grantor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. As of September 30, 2017 there are no permanently restricted net assets.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision based on its assessment of the current status of individual accounts and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence of any donor restrictions.

Donated Services

The Center does not recognize the value of donated services because an objective basis of measurement is unavailable. However, numerous volunteers have donated significant amounts of time to the Center's fundraising efforts and program services.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies – Continued:

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair market value at the date of donation. The Center capitalizes purchases over \$2,500 and depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to thirty-three years. Major renewals, betterments and replacements are capitalized. Maintenance and repairs are charged to expense as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gain and losses are included in the Statement of Activities and Changes in Net Assets.

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates by management.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 1 – Organization and Summary of Significant Accounting Policies – Continued:

Income Taxes

The Center has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

Management has evaluated the effect of accounting standards relating to accounting for uncertainty in income taxes. Management has determined that the Center had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended September 30, 2017. The Center's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Note 2 – Property and Equipment:

Property and equipment consist of the following:

Land	\$ 442,340
Buildings	3,202,042
Furniture, fixtures, and equipment	246,579
Automotive equipment	289,693
Loveland Village	11,972,531
Total	<u>16,153,185</u>
Less – accumulated depreciation	(2,302,165)
Net property and equipment	<u>\$ 13,851,020</u>

Note 3 – Insurance Contingency:

The Center's current windstorm insurance policy contains a 10% deductible clause for a named hurricane and a 10% deductible for wind/hail. Based on the \$14,973,059 insured value of the ten buildings, the first 10% per building or \$1,497,305 would be the responsibility of the Center.

Note 4 – Temporarily Restricted Net Assets:

The Center was named as a charitable beneficiary under terms of certain trust and estate documents. The present value of the funds to be received is \$16,152.

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 4 – Temporarily Restricted Net Assets – Continued:

The Center maintains charitable funds with the Gulf Coast Community Foundation and the Community Foundation of Sarasota County. The Center and other donors may from time to time make contributions to these funds. Generally, the Center will receive the annual net income from each fund. The amount of \$96,897 included in the statement of financial position reflects the fair value as reported by the charitable endowment funds at September 30, 2017.

Temporarily restricted net assets consist of the following:

Split interest agreements	\$ 16,152
Investment in Community Foundations	<u>96,897</u>
Total	<u>\$ 113,049</u>

Note 5 – Employee Benefit Plan:

The Center has a 403(b) tax deferred annuity plan for the benefit of employees. Employees may contribute to the plan and the Center may make a discretionary contribution each year that does not exceed 4% of the active participants' compensation. The Center made contributions of \$14,484 to the employee benefit plan for the year ended September 30, 2017.

Note 6 – Uninsured Cash Balances:

The Center's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Center places its cash and cash equivalents with a local financial institution. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. Management considers the risk to be minimal.

Note 7 – Fund for Legacy:

The Center has established an endowment interest in Loveland Legacy, Inc. ("Legacy"). Legacy was organized for the purposes of obtaining, holding, and managing funds which are to be distributed to the Center in accordance with restrictions if any imposed by the donors. Distribution to the Center is at the sole discretion of the Legacy's board of directors.

As the Legacy holds contributions and investments that are for the benefit of the Center, generally accepted accounting principles requires the Center to recognize an asset equal to the total net assets of the Legacy.

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 8 – Notes Payable:

The Center is indebted on the following obligations as of September 30, 2017:

In April 2015, the Center entered into an agreement with a bank for a twenty-four month loan in an amount not to exceed \$210,000 to purchase property. The loan was paid in full during the year ended September 30, 2017.

The Center is a co-obligor, and guarantor, on a mortgage note with an original principal amount of \$163,200. The note was paid in full during the year ended September 30, 2017.

The Florida Housing Finance Corporation and the City of Sarasota have provided funding for Loveland Village in the form of loans to the Center collateralized by mortgages as follows:

Florida Housing Finance Corporation under the Extremely Low Income Program. Total amount available to be drawn is \$835,000. Non-interest bearing loan, principal to be forgiven in 2030 if all conditions described in the loan documents are met by the Center.

\$ 835,000

Florida Housing Finance Corporation under the State Apartment Incentive Loan Program. Total amount available to be drawn is \$940,000. Non-interest bearing loan, principal to be forgiven in 2045 if all conditions described in the loan documents are met by the Center

940,000

Florida Housing Finance Corporation through the City of Sarasota under the State Housing Initiative Partnership Loan Program. Total amount available to be drawn is \$380,000. Non-interest bearing loan, principal to be forgiven in 2045 if all conditions described in the loan documents are met by the Center

380,000

Total notes payable \$ 2,155,000

Note 9 – Loveland Village Pledges:

The Board of Directors of the Center approved a capital campaign to raise funds for expansion, including an independent living facility.

Capital campaign pledges receivable at September 30, 2017, are due as follows:

	2018	<u>\$ 109,800</u>
Total Loveland Village Pledges		<u>\$ 109,800</u>

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 10 – Asset Swap Agreement:

In August 2014, Community Assisted and Supported Living, Inc. (CASL), a not for profit organization, agreed to provide the Center \$500,000 to assist in the construction of an assisted living facility contingent upon such facility's actual construction no later than September 2021. In exchange for this support CASL would receive a vested ownership stake in the facility. Accordingly, the promise to give is shown as a receivable and a corresponding liability has been established to reflect the contingent nature of the promise to give.

During the year ended September 30, 2017, the asset swap agreement was terminated and the receivable and corresponding liability were written off. A portion of the liability remains and will be paid to CASL.

In addition, the Center entered into an agreement with CASL to manage and maintain Loveland Village for a period commencing with the date of occupancy through December 2024, with options for renewals. CASL essentially retains all rights to rental income but must bear the cost of operating Loveland Village. A reserve, as defined in the agreement, must be established and reverts to the Center upon termination of the agreement.

Note 11 – Fair Value of Financial Assets and Liabilities:

The Center adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Center's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017, and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets of liabilities, such as publically traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Center's assumptions based on the best information available in the circumstance.

The Loveland Center, Inc.

Notes to Financial Statements – Continued

September 30, 2017

Note 11– Fair Value of Financial Assets and Liabilities – Continued:

Assets and liabilities at fair value on a recurring basis at September 30, 2017:

Description	Assets and Liabilities at Fair Value on a Recurring Basis at Reporting Date Using			
	September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Split interest agreements	\$ 16,152	-	-	16,152
Interest in Community Foundations	96,897	-	-	96,897
Investments in Fund for Legacy	16,102	-	-	16,102
Total assets at fair value	\$ 129,151	-	-	129,151

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended September 30, 2017:

	Split Interest Agreements	Interest in Community Foundations	Investment in Fund for Legacy
Balance - September 30, 2016	\$ 19,328	75,923	9,105
Changes in value of the split interest agreement	(10,016)	-	-
Contributions	6,840	14,600	-
Changes in value of the interest in the Community Foundation	-	7,991	-
Interest and dividends	-	1,606	-
Disbursements	-	(3,223)	-
Changes in value of the investment in Fund for Legacy	-	-	6,997
Balance - September 30, 2017	\$ 16,152	96,897	16,102

Note 12 – Subsequent Events:

Subsequent events have been evaluated through January 29, 2018, which is the date the financial statements were available to be issued.

The Loveland Center, Inc.

Schedule of State Projects
Year Ended September 30, 2017

<u>Agency and Program Title</u>	<u>Contract/ Grant Number</u>	<u>Receipts</u>
Florida Agency for Persons with Disabilities	ACX10	<u>\$ 1,000,000</u>

Note- This schedule has been prepared on the accrual basis of accounting.

The Loveland Center, Inc.

Schedule of Findings and Questioned Costs
September 30, 2017

I. Summary of Auditor's Results

Financial Statements

1. We have audited the financial statements of The Loveland Center, Inc. as of and for the year ended September 30, 2017 and issued an unmodified opinion.
2. Internal Control over Financial Reporting:
 - A. Material weaknesses identified? No
 - B. Significant deficiencies identified not considered to be a material weakness? No
3. Noncompliance material to the financial statements noted? No

State Projects

4. Internal Control over Major Programs
 - A. Material weaknesses identified? No
 - B. Significant deficiencies identified not considered to be a material weakness? No
5. The auditor's report on compliance with requirements applicable to the major state projects expresses an unmodified opinion.
6. Our audit disclosed no findings required to be reported related to federal programs under section 510(a) of OMB Circular A-133, nor did our audit disclose any findings related to state projects required to be disclosed under Chapter 10.656 Rules of the Auditor General.
7. The programs/projects tested as major projects included the following:

Florida Agency for Persons with Disabilities
Contract ACX10
8. The threshold used for distinguishing Type A and Type B programs was \$300,000 for major State projects.
9. Rules of the Auditor General 10.656(3)(e) - A management letter was not required.
10. Rules of the Auditor General 10.650(1)(i) - There were no prior audit findings to be reported.

II. Findings Related To The Financial Statements Required to be Reported.

None

III. Findings and Questioned Costs for Major Federal Programs and Major State Projects.

None



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
The Loveland Center, Inc.

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 The Loveland Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related 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 January 29, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Loveland Center, Inc.'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 The Loveland Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Loveland Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Conaugh & Co LLP".

Sarasota, Florida
January 29, 2018



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE FOR EACH STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
AND RULES OF THE AUDITOR GENERAL**

To the Board of Directors

The Loveland Center, Inc.

Report on Compliance for Each State Project

We have audited The Loveland Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Department of Financial Services' State Project Compliance Supplement*, that could have a direct and material effect on each of The Loveland Center, Inc.'s state projects for the year ended September 30, 2017. The Loveland Center, Inc.'s state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of Federal and State statutes, regulations, contracts, and the terms and conditions applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Loveland Center, Inc.'s State 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, 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 state project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 state project. However, our audit does not provide a legal determination of The Loveland Center, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, The Loveland Center, Inc. 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 state projects for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of The Loveland Center, Inc. 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 The Loveland Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance the Uniform Guidance, 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 The Loveland Center, Inc.'s internal control over compliance.

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

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sarasota, Florida

January 29, 2018

