



## **Audited Financial Statements**

June 30, 2020 and 2019

# ECKERD CONNECTS

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**AUDITED FINANCIAL STATEMENTS**



**Mayer Hoffman McCann P.C.**

13577 Feather Sound Drive, Suite 400 ■ Clearwater, FL 33762  
Main: 727.572.1400 ■ Fax: 727.571.1933 ■ [www.mhmcpa.com](http://www.mhmcpa.com)

**Independent Auditor’s Report on Combined Financial Statements  
and Supplementary Financial Information**

To the Board of Directors  
Eckerd Youth Alternatives, Inc.:

**Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, “Eckerd Connects” or the “Organization”), which comprise the combined statements of financial position as of June 30, 2020 and 2019, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

**Management’s Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We did not audit the financial statements of Odle Management Group, LLC, a company included in the combined financial statements, which statements reflect total assets of \$10,542,918 as of June 30, 2020 and total revenues of \$30,015,774 for the four months ended June 30, 2020. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Odle Management Group, LLC, is based solely on the report 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Eckerd Connects as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining schedules and the accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the State of Florida Auditor General*, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 December 22, 2020, 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.

*Mayer Hoffman McCann P.C.*

December 22, 2020  
Clearwater, Florida

# ECKERD CONNECTS

## Combined Statements of Financial Position

June 30, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 10,464,339	10,052,873
Restricted cash	1,393,695	1,366,846
Accounts receivable	28,489,511	20,084,844
Contributions receivable	766,760	1,343,203
Other current assets	<u>1,675,379</u>	<u>507,108</u>
Total current assets	42,789,684	33,354,874
Investments	8,825,623	5,767,027
Note receivable	1,162,816	1,162,816
Other assets	714,355	493,561
Property and equipment, net	5,819,045	6,282,700
Goodwill	2,860,257	909,293
Other intangible assets	7,853,435	2,773,243
Beneficial interest in perpetual trusts	<u>26,486,630</u>	<u>27,165,332</u>
Total assets	<u>\$ 96,511,845</u>	<u>77,908,846</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Short-term notes payable	\$ -	1,650,000
Current portion of capital lease obligations	177,793	151,744
Current installments of long-term debt	975,630	334,113
Accounts payable and accrued expenses	21,095,365	14,370,699
Accrued pension expenses	805,245	1,149,452
Deferred revenue	412,790	-
Current portion of obligation under earnout provision	<u>2,968,661</u>	<u>-</u>
Total current liabilities	26,435,484	17,656,008
Capital lease obligations, less current portion	243,597	160,748
Long-term debt, excluding current installments	6,211,658	313,670
Obligation under earnout provision, less current portion	<u>2,406,339</u>	<u>-</u>
Total liabilities	<u>35,297,078</u>	<u>18,130,426</u>
Net assets:		
Without donor restrictions:		
Undesignated	24,200,086	25,835,732
Designated	<u>8,863,136</u>	<u>5,804,955</u>
Total net assets without donor restrictions	33,063,222	31,640,687
With donor restrictions	<u>28,151,545</u>	<u>28,137,733</u>
Total net assets	<u>61,214,767</u>	<u>59,778,420</u>
Total liabilities and net assets	<u>\$ 96,511,845</u>	<u>77,908,846</u>

# ECKERD CONNECTS

## Combined Statement of Activities

**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2020</b>	<b>2019</b>
Operating support and revenue:				
Program revenues:				
Funding contracts	\$ 280,967,113	-	280,967,113	230,111,648
Medicaid and third party insurance	1,131,193	-	1,131,193	1,615,552
Contributions	3,472,159	-	3,472,159	3,883,128
Interest and dividends, net of fees	188,056	-	188,056	86,958
Other revenue	329,434	-	329,434	363,111
Net assets released from restriction:				
Satisfaction of use restrictions	57,286	-	57,286	741,012
Total operating support and revenue	286,145,241	-	286,145,241	236,801,409
Operating expenses:				
Program services	267,657,426	-	267,657,426	220,486,831
Supporting services	17,454,848	-	17,454,848	16,378,764
Total operating expenses	285,112,274	-	285,112,274	236,865,595
Change in net assets from operations	1,032,967	-	1,032,967	(64,186)
Other changes:				
Unrealized and realized gains on investments	321,699	-	321,699	445,389
Gain on sale of property and equipment	67,869	-	67,869	2,452,565
Restricted grants and contributions	-	749,800	749,800	1,041,556
Change in value of beneficial interest in perpetual trusts	-	(678,702)	(678,702)	1,929,916
Net assets released from restrictions	-	(57,286)	(57,286)	(741,012)
Total other changes	389,568	13,812	403,380	5,128,414
Change in net assets	1,422,535	13,812	1,436,347	5,064,228
Net assets at beginning of year	31,640,687	28,137,733	59,778,420	54,714,192
Net assets at end of year	\$ 33,063,222	28,151,545	61,214,767	59,778,420

## ECKERD CONNECTS

### Combined Statement of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Program revenues:			
Funding contracts	\$ 230,111,648	-	230,111,648
Medicaid and third party insurance	1,615,552	-	1,615,552
Contributions	3,883,128	-	3,883,128
Interest and dividends, net of fees	86,958	-	86,958
Other revenue	363,111	-	363,111
Net assets released from restriction:			
Satisfaction of use restrictions	741,012	-	741,012
Total operating support and revenue	236,801,409	-	236,801,409
Operating expenses:			
Program services	220,486,831	-	220,486,831
Supporting services	16,378,764	-	16,378,764
Total operating expenses	236,865,595	-	236,865,595
Change in net assets from operations	(64,186)	-	(64,186)
Other changes:			
Unrealized and realized gains on investments	445,389	-	445,389
Gain on sale of property and equipment	2,452,565	-	2,452,565
Restricted grants and contributions	-	1,041,556	1,041,556
Change in value of beneficial interest in perpetual trust	-	1,929,916	1,929,916
Net assets released from restrictions	-	(741,012)	(741,012)
Total other changes	2,897,954	2,230,460	5,128,414
Change in net assets	2,833,768	2,230,460	5,064,228
Net assets at beginning of year	28,806,919	25,907,273	54,714,192
Net assets at end of year	\$ 31,640,687	28,137,733	59,778,420

## ECKERD CONNECTS

### Combined Statement of Functional Expenses

**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	Program Services					Supporting Services				Total	
	Residential Programs	Non-Residential Programs	Lead Agency	Job Corps and Workforce Development	Other Programs	Total	General and Administrative	Fundraising	Total	2020	2019
Operating expenses:											
Payroll and related expenses	\$ 6,767,310	10,598,910	18,815,391	40,396,320	271,856	76,849,787	8,485,805	628,324	9,114,129	85,963,916	56,439,254
Employee related	52,193	53,346	119,170	57,894	29,803	312,406	36,013	23,004	59,017	371,423	430,086
Training	15,688	228,414	28,275	123,710	8,573	404,660	98,130	2,464	100,594	505,254	423,172
Supplies and materials	159,506	536,760	434,382	1,532,777	55,321	2,718,746	231,221	144,972	376,193	3,094,939	990,716
Food	355,388	50,469	4,484	6,200	104	416,645	21	-	21	416,666	501,696
Technology	26,356	219,199	549,229	751,544	210,072	1,756,400	820,201	46,472	866,673	2,623,073	1,704,344
Travel	25,480	740,284	451,510	284,366	14,713	1,516,353	266,370	9,139	275,509	1,791,862	2,009,597
Vehicle	71,702	169,633	27,602	-	11,211	280,148	12,671	267	12,938	293,086	323,985
Repairs and maintenance	166,112	2,984,029	160,402	40,982	15,161	3,366,686	69,673	-	69,673	3,436,359	482,513
Utilities	208,246	63,400	95,068	37,893	28,748	433,355	78,214	-	78,214	511,569	576,733
Telephone	111,142	233,299	519,183	221,795	17,750	1,103,169	293,279	1,751	295,030	1,398,199	1,373,615
Depreciation and amortization	405,925	171,263	2,822	-	160,385	740,395	1,077,668	-	1,077,668	1,818,063	1,562,024
Insurance	259,853	438,204	683,118	163,295	23,135	1,567,605	232,843	-	232,843	1,800,448	1,507,298
Professional fees	69,779	719,958	132,410	137,765	367,694	1,427,606	3,757,159	439,903	4,197,062	5,624,668	5,559,248
Rent	86,000	789,858	2,697,443	3,483,322	108,243	7,164,866	228,840	41	228,881	7,393,747	4,560,086
Purchased services	-	6,150,152	144,528,900	544,278	621,220	151,844,550	35,600	-	35,600	151,880,150	141,679,797
Client related	116,135	1,236,340	4,438,290	8,638,204	41,523	14,470,492	4,669	-	4,669	14,475,161	14,465,918
Miscellaneous	66,057	556,138	138,182	214,706	308,474	1,283,557	418,446	11,688	430,134	1,713,691	2,275,513
<b>Total operating expenses</b>	<b>\$ 8,962,872</b>	<b>25,939,656</b>	<b>173,825,861</b>	<b>56,635,051</b>	<b>2,293,986</b>	<b>267,657,426</b>	<b>16,146,823</b>	<b>1,308,025</b>	<b>17,454,848</b>	<b>285,112,274</b>	<b>236,865,595</b>
	<b>3.1%</b>	<b>9.1%</b>	<b>61.0%</b>	<b>19.9%</b>	<b>0.8%</b>	<b>93.9%</b>	<b>5.7%</b>	<b>0.5%</b>	<b>6.1%</b>	<b>100.0%</b>	

See accompanying independent auditor's report and notes to combined financial statements.

## ECKERD CONNECTS

### Combined Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services					Supporting Services			Total Expenses	
	Residential Programs	Non-Residential Programs	Lead Agency	Workforce Development	Other Programs	Total	General and Administrative	Fundraising		Total
Operating expenses:										
Payroll and related expenses	\$ 7,180,049	10,654,685	14,205,825	15,439,924	159,719	47,640,202	8,326,875	472,177	8,799,052	56,439,254
Employee related	41,975	50,665	67,400	33,737	188,022	381,799	47,052	1,235	48,287	430,086
Training	19,305	143,739	37,601	99,289	46,467	346,401	67,350	9,421	76,771	423,172
Supplies and materials	141,300	215,752	215,718	290,195	5,283	868,248	106,419	16,049	122,468	990,716
Food	360,626	117,310	4,458	18,793	(20)	501,167	529	-	529	501,696
Technology	9,720	90,548	468,330	160,540	14,058	743,196	906,044	55,104	961,148	1,704,344
Travel	38,558	787,690	387,295	376,962	18,271	1,608,776	388,327	12,494	400,821	2,009,597
Vehicle	58,335	219,553	16,165	134	11	294,198	29,682	105	29,787	323,985
Repairs and maintenance	154,304	95,454	124,565	43,804	-	418,127	64,386	-	64,386	482,513
Utilities	248,676	95,840	100,546	52,790	17,217	515,069	61,664	-	61,664	576,733
Telephone	97,274	224,803	479,658	217,320	26,858	1,045,913	325,261	2,441	327,702	1,373,615
Depreciation and amortization	589,845	140,065	7,388	-	31,089	768,387	793,637	-	793,637	1,562,024
Insurance	270,080	370,099	557,220	124,068	9,965	1,331,432	175,866	-	175,866	1,507,298
Professional fees	91,811	1,285,833	123,376	440,768	826,308	2,768,096	2,742,472	48,680	2,791,152	5,559,248
Rent	92,753	833,668	2,598,957	778,151	37,918	4,341,447	218,425	214	218,639	4,560,086
Purchased services	-	4,292,575	135,793,088	274,095	230,682	140,590,440	1,089,357	-	1,089,357	141,679,797
Client related	138,938	939,935	4,688,871	8,607,873	83,897	14,459,514	6,404	-	6,404	14,465,918
Miscellaneous	20,503	919,129	229,812	282,197	412,778	1,864,419	393,777	17,317	411,094	2,275,513
<b>Total operating expenses</b>	<b>\$ 9,554,052</b>	<b>21,477,343</b>	<b>160,106,273</b>	<b>27,240,640</b>	<b>2,108,523</b>	<b>220,486,831</b>	<b>15,743,527</b>	<b>635,237</b>	<b>16,378,764</b>	<b>236,865,595</b>
	<b>4.0%</b>	<b>9.1%</b>	<b>67.6%</b>	<b>11.5%</b>	<b>0.9%</b>	<b>93.1%</b>	<b>6.6%</b>	<b>0.3%</b>	<b>6.9%</b>	<b>100.0%</b>

See accompanying independent auditor's report and notes to combined financial statements.

## ECKERD CONNECTS

### Combined Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,436,347	5,064,228
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,818,063	1,562,024
Unrealized and realized gains on investments	(321,699)	(445,389)
Gain on sale of property and equipment	(67,869)	(2,452,565)
Change in value of beneficial interest in perpetual trusts	678,702	(1,929,916)
(Increase) decrease in assets:		
Accounts and contributions receivable	1,304,587	(8,447,665)
Prepaid expenses	(614,314)	751,422
Other assets	(82,198)	143,734
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,389,938	354,389
Deferred revenue	412,790	-
Net cash provided by (used in) operating activities	5,954,347	(5,399,738)
Cash flows from investing activities:		
Purchases of property and equipment	(444,176)	(631,442)
Proceeds from the sale of property and equipment	159,050	3,154,163
Purchases of investments	(5,899,922)	(2,321,029)
Proceeds from the sale of investments	3,163,025	2,234,072
Cash paid for acquisition of subsidiary	(7,182,292)	-
Net cash provided by (used in) investing activities	(10,204,315)	2,435,764
Cash flows from financing activities:		
Proceeds from long-term debt	7,500,000	-
Borrowings (payments) under short-term note payable	(1,650,000)	1,536,958
Principal payments on long-term debt	(960,495)	(323,100)
Principal payments on capital lease obligations	(201,222)	(198,368)
Net cash provided by financing activities	4,688,283	1,015,490
Net increase (decrease) in cash, cash equivalents, and restricted cash	438,315	(1,948,484)
Cash, cash equivalents, and restricted cash at beginning of year	11,419,719	13,368,203
Cash, cash equivalents, and restricted cash at end of year	\$ 11,858,034	11,419,719
Cash, cash equivalents and restricted cash consist of:		
Cash and cash equivalents	\$ 10,464,339	10,052,873
Restricted cash	1,393,695	1,366,846
	\$ 11,858,034	11,419,719
Supplemental disclosures of cash flow information:		
Assets acquired under capital lease	\$ 310,120	16,743
Noncash consideration in acquisition of subsidiary	\$ 6,139,832	-
Cash paid for interest	\$ 155,977	62,020

# ECKERD CONNECTS

## Notes to Combined Financial Statements

June 30, 2020 and 2019

### (1) Description of Organization and Nature of Activities

Eckerd Connects (the “Organization”) 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, behavioral health, juvenile justice, work force development, and Job Corps center training programs to more than 25,000 children and families every year.

The Organization’s 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”), 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 remains a separate tax exempt organization with its own Board of Directors consisting of several members of Eckerd Connects’ senior executive team.

Eckerd Connects acquired Paxen, LLC and Paxen Learning Services, LLC (collectively, “Paxen”) as the sole member of Paxen on January 31, 2015. Paxen provides workforce development treatment and day treatment in various states. Paxen is treated by the Internal Revenue Service as a disregarded entity for income tax purposes and maintains its own Board of Managers consisting of several members of Eckerd Connects’ senior executive team.

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 provided workforce training programs that require basic education and employment skills, which enable participants to obtain good jobs or enroll in post-secondary education.

On February 29, 2020, Eckerd Connects purchased 100% of the membership interest in Odle Management Group, LLC (“Odle”), an entity that manages Job Corps centers in nine states and workforce development programs in four states. These programs are funded under contracts with the U.S. Department of Labor. Odle is treated by the Internal Revenue Service as a disregarded entity for income tax purposes and maintains its own Board of Managers consisting of several members of Eckerd Connects’ senior executive team.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies

##### (a) Principles of Combination

The combined financial statements include the consolidated financial statements of Eckerd Connects and its wholly-owned subsidiaries (Paxen and Odle) and its affiliate, Caring for Children. Significant intercompany balances and transactions have been eliminated in the combination.

##### (b) Basis of Presentation

The accompanying combined 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:

*Net assets without donor restrictions:* Net assets without donor restrictions are available for use at the discretion of the Organization's Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Organization's Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net assets with donor restrictions:* Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained in perpetuity while permitting the Organization to spend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

##### (c) Cash and Cash Equivalents

For purposes of the statements of cash flows, Eckerd Connects considers all highly liquid debt instruments purchased with a maturity of three months or less without restrictions to be cash equivalents.

##### (d) Restricted Cash

Restricted cash represents funds held for the benefit of Eckerd Connects' clients and Eckerd Connects' contributions as required by these contracts.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (e) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, and other circumstances, which may affect the ability of payors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Accounts receivable primarily consists of amounts due from governmental agencies for services performed. At June 30, 2020 and 2019, an allowance for doubtful accounts has not been established as management believes that all amounts are collectible.

##### (f) Contributions Receivable

Contributions receivable are recorded without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time or purpose restriction has been satisfied, amounts previously received and recorded in net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions receivable which are due in more than one year are recorded at estimated fair value by discounting future cash flows using current risk-free rates of return based on yields of U.S. Treasury Securities with maturity dates similar to the expected collection period.

##### (g) 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. Investment income (including realized and unrealized gains and losses on investments and interest and dividends, net of fees) is reflected in the combined statement of activities. Purchases and sales of investments are recorded on the trade date. The cost of investments sold is determined by the specific identification method.

##### (h) Note Receivable

Note receivable represents a promissory note accepted for the sale of real estate in 2010 which is collateralized by a mortgage on the underlying property. Note receivable is stated at the unpaid principal balance. An allowance for loan loss was not considered necessary based on the value of the collateral. Interest is recognized over the term of the loan at the rate of 5.5% and is calculated using the effective-interest method.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (i) Property and Equipment

Property and equipment are recorded at cost if purchased or at estimated market value at the date of receipt if acquired by gift. Expenditures in excess of \$5,000 are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the remaining lease term or the useful lives of the assets acquired. Property acquired with governmental funds is considered to be owned by the Organization while used in the program for which it was purchased or in future authorized programs; however, its disposition as well as ownership of any proceeds therefrom is subject to applicable regulations.

##### (j) 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 the Paxen and Odle acquisitions. Goodwill acquired is deemed to have an indefinite useful life and is not amortized, but is instead tested for impairment at least annually, or more frequently if events and circumstances indicate that the assets might be impaired.

##### (k) Other Intangible Assets

Other intangible assets as of June 30, 2019 consist of timber rights for property owned in North Carolina and customer relationships acquired in connection with the Henkels & McCoy asset contribution agreement described in Note 1. In 2020, Eckerd Connects acquired the following intangible assets in connection with the purchase of 100% of the membership interest in Odle: a non-competition covenant, customer contracts, internal use software, and their tradename. The value of intangible assets is based on projected cash flows these various assets are expected to generate in the future. Timber rights have an expected useful life of 20 years and are being amortized using the straight line method. Customer relationships from Henkels & McCoy have an expected useful life of 15 years and are being amortized using the straight line method. The non-competition covenant represents the value of a non-competition agreement with a key member of Odle's management and is being amortized over 4 years. Customer contracts are being amortized over 5 years, the average contract term for Odle's customer contracts. Internal use software represents Odle's proprietary technology which is being amortized over its useful life of 3 years. Tradename represents the value assigned to the acquired business name under which the business operates and is being amortized over 15 years. Amortization expense was \$592,808 and \$233,908 for the years ended June 30, 2020 and 2019, respectively. Future amortization expense for the next five years and thereafter related to the identified intangible assets described above is expected to be \$1,310,606 in 2021 and 2022; \$1,304,384 in 2023; \$1,236,439 in 2024; \$844,706 in 2025 and \$1,846,694 thereafter.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (k) Other Intangible Assets - Continued

The gross carrying amounts and accumulated amortization of other intangibles as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Timber rights	\$ 132,549	36,452	132,549	29,824
Customer relationships	3,409,178	965,940	3,409,178	738,660
Non-competition agreement	666,000	55,500	-	-
Customer contracts	4,211,000	280,734	-	-
Proprietary software	56,000	6,222	-	-
Tradename	740,000	16,444	-	-
Total	<u>\$ 9,214,727</u>	<u>1,361,292</u>	<u>3,541,727</u>	<u>768,484</u>

##### (l) Income Taxes

Eckerd Connects and its affiliate, Caring for Children, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the provisions of the Florida and North Carolina Statutes. The Internal Revenue Code provides for taxation of unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The Organization does not believe it has any material income tax exposure relating to uncertain tax positions as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*. The Organization’s income tax filings remain subject to examination for the fiscal year ended June 30, 2017 and thereafter.

##### (m) Donated Materials and Services

Eckerd Connects receives food commodities and certain supplies for use in its programs. These donated supplies are recorded at fair value in the combined financial statements at the date of receipt. Donations of services are recorded as support at their estimated fair value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

##### (n) Functional Expense Allocation

The costs of providing the Organization’s various programs and supporting services have been summarized on a functional basis in the Combined Statement of Functional Expenses. Expenses directly attributable to a specific functional area of the Organization are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on a square footage analysis for all indirect occupancy-related expenses.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (o) Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2020 and 2019, was approximately \$370,000 and \$827,000, respectively.

##### (p) Estimates

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### (q) Going Concern Evaluation

On an annual basis, as required by ASC Topic 205, *Presentation of Financial Statements - Going Concern*, the Organization performs an evaluation to determine whether there are conditions or events (known and reasonably knowable), considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

##### (r) Recent Accounting Pronouncement

In fiscal year 2020, Eckerd Connects adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction subject to other guidance. It also provides guidance as to when a contribution should be considered conditional, which for example, is typically the case when funds are received under governmental grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred where applicable.

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2020. The adoption of this guidance did not have an impact on the Organization's combined financial statements. In addition, certain changes from adopting this new standard resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

##### (s) Reclassifications

Certain amounts in the 2019 combined financial statements have been reclassified to conform with the 2020 presentation.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (t) Subsequent Events and Management's Review

Management has evaluated subsequent events for potential recognition or disclosure through December 22, 2020, the date the combined financial statements were available to be issued.

On December 14, 2020 Eckerd Connects purchased 262 acres of land in Candor, North Carolina, where it has operated a 40-bed male juvenile justice residential program. Since the inception of the program in 1979 Eckerd Connects has leased the land but was recently approached by the owners of the land with a bargain purchase offer. The land was appraised at \$1,517,000 but Eckerd Connects was able to purchase the land for \$857,000 because Eckerd Connects had previously paid for the construction of the facilities on the property that led to the higher appraisal value. In September 2020, Eckerd Connects renewed its contract with the North Carolina Department of Public Safety to operate the program through September 2023.

#### (3) Contributions Receivable

Contributions receivable primarily consist of promises to give from the National Foundation for Youth (“NFY”), a nonprofit organization whose mission is to raise and administer funds to support nonprofit organizations providing program services to youth and families. One member of the Eckerd Connects’ Board of Directors also serves on the NFY Board of Directors and the CFO of Eckerd Connects reviews quarterly investment statements and provides input as needed. Accordingly, NFY is considered a related party of Eckerd Connects. For the year ended June 30, 2020, NFY provided total support to Eckerd Connects in the amount of \$2,419,759 and contributions receivable at June 30, 2020 totaled \$761,760 which is expected to be collected in fiscal 2021. For the year ended June 30, 2019, NFY provided total support to Eckerd Connects in the amount of \$2,573,977 and contributions receivable at June 30, 2019 totaled \$989,075 which was collected in fiscal 2020.

#### (4) Investments

Investments are recorded at fair value and consist of the following at June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 2,252,967	2,252,967	519,641	519,641
U.S. government and agency obligations	1,407,530	1,472,731	1,311,492	1,339,004
Corporate bonds	805,409	872,315	431,567	435,962
Common stock - domestic	3,005,866	3,996,234	2,434,661	3,247,077
Common stock - international	209,252	231,376	201,461	225,343
	<u>\$ 7,681,024</u>	<u>8,825,623</u>	<u>4,898,822</u>	<u>5,767,027</u>

The Organization’s investments in equity securities and corporate bonds are not concentrated in a single entity or a few entities nor are there any specific industry concentrations. The Board of Directors has designated interest and dividends, net of fees, for support of current operations. The remainder of investment return is retained to support future operations and to offset potential market declines.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

**(4) Investments - Continued**

The following schedule summarizes investment return for the years ended June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Interest and dividend income - investments	\$ 238,222	133,116
Investment fees	(50,166)	(46,158)
Net realized and unrealized gains	321,699	445,389
	\$ 509,755	532,347

**(5) Note Receivable**

The Organization is holding one mortgage note receivable from the sale of property in 2010 from a commercial business. The note bears interest at 5.5% and interest only payments were due monthly through May 2018 with a final payment of outstanding interest and principal due in June 2018. The borrower requested an extension on the final payment and Eckerd Connects negotiated new payment terms subsequent to June 30, 2018. The due date of the note was extended to June 17, 2019 and Eckerd verbally exercised an option in 2019 to extend the due date again to June 17, 2020. The note is collateralized by a mortgage on the underlying property and an allowance is not deemed necessary at June 30, 2020 based on the estimated fair value of the collateral. The balance of the note at June 30, 2020 and 2019 was \$1,162,816 and is classified as a non-current asset in the accompanying combined statement of financial position since the borrower was in default and the underlying collateral, if called, would be classified as a non-current asset. Interest income for the years ended June 30, 2020 and June 30, 2019 was \$0 and \$63,258, respectively. Subsequent to June 30, 2020, Eckerd Connects filed a foreclosure action against the borrower and expects to reach a settlement agreement with the borrower whereby title to the property will be deeded to Eckerd Connects on or before January 31, 2021.

**(6) Property and Equipment**

Property and equipment at June 30, 2020 and 2019 is summarized as follows:

	<b>Estimated Life</b>	<b>2020</b>	<b>2019</b>
Land		\$ 1,362,922	1,362,922
Building and improvements	10 - 34 years	13,157,924	12,846,354
Furniture and equipment	3 - 10 years	4,847,239	4,252,548
Transportation equipment	4 - 5 years	1,686,854	1,488,221
Construction in progress		287,634	438,294
Total		21,342,573	20,388,339
Less accumulated depreciation		(15,523,528)	(14,105,639)
Net property and equipment		\$ 5,819,045	6,282,700

Depreciation expense for the years ended June 30, 2020 and 2019 was \$1,225,255 and \$1,328,116, respectively.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (7) **Beneficial Interest in Perpetual Trusts Held by Third Party**

The Organization is an income beneficiary of two perpetual trusts which are measured based on the fair value of the assets held in each trust. The change in the fair value of the trust assets is reported as a change in net assets with donor restrictions. Distributions of income are paid quarterly and are reported as a change in net assets without donor restrictions since earnings on each trust are not restricted by the donor. The value of the Organization's interest in the perpetual trusts at June 30, 2020 and 2019 was \$26,486,630 and \$27,165,332, respectively.

#### (8) **Fair Value Measurement**

In accordance with FASB ASC Topic 820, *Fair Value Measurement*, financial instruments measured at fair value are classified and disclosed within a fair value hierarchy that prioritizes the inputs to valuation techniques into the following three categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are money market funds, common stock, corporate and government bonds.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Valuation is based on unobservable inputs. The beneficial interest in perpetual trusts is based on the Organization's allocable share of the fair value of the underlying assets held in the trust.

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. There have been no changes in the methodology used for the year ended June 30, 2020.

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 carrying amount reported in the combined financial statements for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the immediate or short-term maturities of these financial instruments.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (8) Fair Value Measurement - Continued

Fair value of assets and liabilities measured on a recurring basis at June 30, 2020 and 2019 was as follows:

	Total Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		Level 1	Level 2	Level 3
As of June 30, 2020:				
Assets:				
Money market funds	\$ 2,252,967	2,252,967	-	-
Equities:				
Large cap growth	2,386,439	2,386,439	-	-
Large cap value	690,364	690,364	-	-
Small/mid cap growth	331,456	331,456	-	-
Small/mid cap value	271,146	271,146	-	-
International	548,205	548,205	-	-
Fixed income:				
Long-term	602,838	602,838	-	-
Intermediate	667,098	667,098	-	-
Short-term	1,075,110	1,075,110	-	-
Total investments	8,825,623	8,825,623	-	-
Beneficial interest in perpetual trust	26,486,630	-	-	26,486,630
	<u>\$ 35,312,253</u>	<u>8,825,623</u>	<u>-</u>	<u>26,486,630</u>
Liabilities:				
Obligation under earnout provision	\$ 5,375,000	-	-	5,375,000
As of June 30, 2019:				
Assets:				
Money market funds	\$ 519,641	519,641	-	-
Equities:				
Large cap growth	1,468,558	1,468,558	-	-
Large cap value	1,005,038	1,005,038	-	-
Small/mid cap growth	280,055	280,055	-	-
Small/mid cap value	249,537	249,537	-	-
International	457,470	457,470	-	-
Blended funds	11,762	11,762	-	-
Fixed income:				
Long-term	308,337	308,337	-	-
Intermediate	501,044	501,044	-	-
Short-term	965,585	965,585	-	-
Total investments	5,767,027	5,767,027	-	-
Beneficial interest in perpetual trust	27,165,332	-	-	27,165,332
	<u>\$ 32,932,359</u>	<u>5,767,027</u>	<u>-</u>	<u>27,165,332</u>

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (8) Fair Value Measurement - Continued

The following provides further details of the Level 3 fair value measurement related to the Organization's beneficial interest in perpetual trusts as of and for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 27,165,332	25,235,416
Change in value of beneficial interest in perpetual trusts	<u>(678,702)</u>	<u>1,929,916</u>
Ending balance	<u>\$ 26,486,630</u>	<u>27,165,332</u>

The other Level 3 fair value measurement is for the obligation under the earnout provision associated with the Odle acquisition and is based on a fair value estimate of the likely contingent consideration that will be paid over the earnout period as more fully described in Note 18.

#### (9) Short-Term Note Payable and Revolving Lines of Credit

During fiscal 2018, Eckerd Connects entered into a short-term borrowing arrangement with the brokerage institution holding its investments. The arrangement allows Eckerd Connects to borrow funds using its investments as collateral. Interest is payable monthly at LIBOR plus the brokerage's spread (2.41% at June 30, 2020). There was no outstanding balance at June 30, 2020 and 2019. The amount which can be borrowed under the short-term borrowing arrangement was \$ 2,765,423 and \$2,530,037 as of June 30, 2020 and 2019, respectively.

During fiscal 2019, Eckerd Connects obtained a revolving line of credit with Bank of America which allowed the Organization to borrow up to \$5 million, through March 2020. The line was secured by equipment, inventory and accounts receivable owned by Eckerd Connects. Interest was payable monthly at LIBOR Daily Floating Rate plus 1.75% (4.27% at June 30, 2019). The outstanding balance on the loan at June 30, 2019 was \$1,650,000. The loan matured in March 2020 and was not renewed.

During fiscal 2020, Eckerd Connects obtained a new revolving line of credit with Bank of Tampa which allows Eckerd Connects to borrow up to \$5 million, is due on demand, and bears interest at the greater of LIBOR plus 1.35% (1.51% at June 30, 2020) or 2.25%. The loan is secured by substantially all assets of Eckerd Connects. The loan agreement includes certain non-financial and financial covenants and Eckerd Connects was in compliance with these covenants as of June 30, 2020. There was no outstanding balance on the line of credit as of June 30, 2020.

Odle also has a revolving line of credit for \$5 million with BBVA USA Bank which matures July 3, 2021. The Odle line bears interest at LIBOR plus 1.5% (1.676% at June 30, 2020). There was no outstanding balance on the Odle line at June 30, 2020. The Odle line is collateralized by substantially all of Odle's business assets and has been guaranteed by Eckerd Connects.

Eckerd Connects has two outstanding letters of credit which totaled \$734,577 and \$969,963 as of June 30, 2020 and 2019, respectively, which are also collateralized by investments held by the brokerage institution. The beneficiaries under the letters of credit are the workers' compensation carriers as more fully described in Note 15.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (10) Leases

The Organization leases the majority of its facilities and equipment under operating lease agreements which expire at various dates through 2025. Security deposits related to such leases are included in other assets. Rent expense for the years ended June 30, 2020 and 2019 was approximately \$3,939,000 and \$3,858,000, respectively. The majority of the Organization's operating leases for property include 30-day or 120-day cancellation provisions in the event the Organization loses its funding.

The Organization is also obligated under several capital leases for vehicles and these leases expire over various dates through 2025. Amortization of assets held under capital leases is included in depreciation expense. The gross amount of vehicle equipment and related accumulated amortization recorded under the capital leases as of June 30, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Equipment	\$ 1,123,471	897,946
Less accumulated amortization	(802,082)	(631,816)
	\$ 321,389	266,130

Future minimum lease payments required under operating leases with initial or remaining lease terms in excess of one year (including cancellable leases) and the present value of minimum capital lease payments as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2021	\$ 190,128	3,562,358	3,752,486
2022	106,074	3,130,848	3,236,922
2023	80,728	2,675,137	2,755,865
2024	63,794	2,037,895	2,101,689
2025	9,314	1,058,796	1,068,110
Total minimum lease payments	450,038	12,465,034	12,915,072
Less amount representing interest	(28,648)		
Present value of lease payments	421,390		
Current portion of capital lease obligations	177,793		
Capital lease obligations, less current portion	\$ 243,597		

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (11) Long Term Debt

Long term debt consists of the following at June 30, 2020 and 2019:

	2020	2019
3.24% promissory note payable to Bank of America in monthly installments of \$29,181, including interest, through May 2021; secured by interest in accounts receivable, inventory and equipment.	\$ -	647,783
3.50% promissory note payable to Bank of Tampa in monthly installments of \$100,955, including interest, through February 2027; secured by interest in real property.	7,187,288	-
Total long term debt	7,187,288	647,783
Less current installments	975,630	334,113
Long-term debt, excluding current installments	\$ 6,211,658	313,670

In connection with Eckerd Connects' acquisition of 100% of the membership interest in Odle effective February 29, 2020, Eckerd Connects borrowed \$7.5 million from a commercial bank. The loan is secured by substantially all assets of Eckerd Connects and a mortgage on Eckerd Connects' corporate office building. The loan agreement includes certain financial and non-financial covenants and the Organization was in compliance with these covenants at June 30, 2020.

The aggregate maturities of long-term debt for each of the five years subsequent to June 30, 2020, and thereafter, are as follows:

Year Ending June 30,	Amount
2021	\$ 975,630
2022	1,010,330
2023	1,046,265
2024	1,083,477
2025	1,122,013
Thereafter	1,949,573
	\$ 7,187,288

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (12) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2020 and 2019 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2020</u>	<u>2019</u>
Subject to use restrictions:		
Adoption and foster care	\$ 90,068	57,377
Employee wellness	8,377	33,896
Program operations	1,106,659	756,357
Success awards - scholarships	459,811	124,771
	<u>1,664,915</u>	<u>972,401</u>
Beneficial interest in perpetual trusts held by third parties:		
National Foundation for Youth	23,039,319	23,771,110
Richard J. Ross Trust	3,447,311	3,394,222
	<u>26,486,630</u>	<u>27,165,332</u>
	<u>\$ 28,151,545</u>	<u>28,137,733</u>

#### (13) Endowment Funds

Eckerd Connects' internally-controlled endowment net assets are comprised of investments held in a Board-designated endowment fund. Eckerd Connects' externally-controlled endowment net assets consist of its beneficial interest in two perpetual trusts administered by independent trustees.

##### *Interpretation of Relevant Law*

The Board of Directors has interpreted the wishes of donors and state law 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 net assets restricted by the donor in perpetuity as (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (13) Endowment Funds - Continued

##### *Investment Return Objectives, Risk Parameters and Strategies*

Eckerd Connects has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the purchasing power of those endowments over the long-term. The policies stipulate that the endowments should be managed as a long-term goal designed to maximize the returns without exposure to undue risk. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in account performance, the Organization will pursue a strategy seeking to exceed a benchmark return of a target portfolio consisting of 40% fixed income securities and 60% equity securities for the Board-designated fund. In addition, Eckerd Connects may only invest in equity securities listed on an American stock exchange and fixed income securities shall be AA rated or better.

Endowment net asset composition by type of fund at June 30, 2020 and 2019 were as follows:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total Endowment Net Assets</b>
June 30, 2020:			
Board-designated endowment	\$ 8,863,136	-	8,863,136
Beneficial interest in perpetual trusts	-	26,486,630	26,486,630
	\$ 8,863,136	26,486,630	35,349,766
June 30, 2019:			
Board-designated endowment	\$ 5,804,955	-	5,804,955
Beneficial interest in perpetual trusts	-	27,165,332	27,165,332
	\$ 5,804,955	27,165,332	32,970,287

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (13) Endowments - Continued

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
Balances at June 30, 2018	\$ 5,275,015	25,235,416	30,510,431
Net investment income	86,958	-	86,958
Net appreciation	445,389	-	445,389
Withdrawals	(2,407)	-	(2,407)
Change in value of beneficial interest in perpetual trusts	-	1,929,916	1,929,916
Balances at June 30, 2019	5,804,955	27,165,332	32,970,287
Net investment income	188,056	-	188,056
Net appreciation	321,699	-	321,699
Deposits	3,453,841	-	3,453,841
Withdrawals	(905,415)	-	(905,415)
Change in value of beneficial interest in perpetual trusts	-	(678,702)	(678,702)
Balances at June 30, 2020	\$ 8,863,136	26,486,630	35,349,766

#### (14) 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, and as such, Eckerd Connects has no responsibility for the payment of such benefits.

*Defined contribution benefit plan:* On July 1, 1993, and most recently restated July 2019, Eckerd Connects adopted a defined contribution pension plan covering substantially all full-time employees. For fiscal 2019, employer contributions were made at the rate of 2% of eligible employees' compensation plus a 50% match on the employee's contribution up to 6% for a maximum match amount of 3%. Effective July 1, 2019, the fixed rate employer contribution of 2% of eligible employees' compensation was eliminated and the 50% match on the employee's contribution was increased to up to 10% for a maximum match amount of 5%. The employer contributions for 2020 and 2019 totaled \$836,900 and \$1,197,800, respectively.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (14) Employee Benefit Plans - Continued

*Deferred compensation plan:* Effective July 1, 2009, Eckerd Connects established a supplemental executive retirement plan (“SERP”) to retain and reward selected executives of the Organization 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. Total retirement plan expense recognized under the SERP for the years ended June 30, 2020 and 2019 was \$49,697 and \$47,502, respectively. The liability under the SERP as of June 30, 2020 was \$49,697. The liability under the SERP as of June 30, 2019 was \$169,640, of which all was paid to an executive in fiscal 2020.

#### (15) Contingencies Under Insurance and State Unemployment Programs

Eckerd Connects has purchased insurance for major areas of exposure. The following is a summary of those policies with large deductible limits:

*Health Insurance:* Effective January 1, 2018, the Organization adopted a health insurance wellness plan with a different insurer (the “Health Plan”) which also provides medical and drug benefits to its employees. Under the Health Plan, the Organization is responsible for the first \$175,000 of individual covered claims, subject to a maximum annual aggregate stop loss limit. Health insurance expense is based upon premiums paid to each insurer, estimated total cost of claims to be paid by the Organization that fall within the deductible limits described above, and the administrative costs of the plan. The Organization outsources administration of claims to a third party administrator (“TPA”). The TPA provides management with estimates of claims incurred, including incurred but unreported claims, and the future development of covered claims using an actuarially-determined reserve methodology based on current and historical claims development trends. As of June 30, 2020 and 2019, accrued estimated health insurance expense was approximately \$1,315,000 and \$727,000, respectively. For the years ended June 30, 2020 and 2019, estimated health insurance expense was \$8,708,854 and \$7,841,302, respectively. Actual claims expense may differ from these estimates.

Effective January 1, 2020, Eckerd Connects invested in an offshore captive insurance company, ARU SPC, Ltd. on behalf of Pioneer Segregated Portfolio (the “Captive”) based in the Cayman Islands. Eckerd Connects paid \$1 for one Segregated Portfolio Share of stock in the Captive. As an owner of the Captive, Eckerd Connects is insured under a health care stop loss program where the Captive reinsures health care claims from an A+ Best’s Rated insurance carrier above \$150,000 up to \$500,000 subject to a 125% annual aggregate. Claims in excess of \$500,000 are fully insured by the same A+ Best’s Rated carrier on an unlimited basis. Eckerd Connects remits premium payments to the insurance company and the insurer remits premiums to the Captive for its participation under the policy. All claims payments are made using a third-party administrator. The Captive provides management with estimates of health care claims, including claims incurred but unreported and future development of covered claims using an actuarially determined reserve methodology based on current and historical claims experience.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### **(15) Contingencies Under Insurance and State Unemployment Programs - Continued**

*Workers compensation:* Effective July 1, 2017, Eckerd Connects invested in an offshore captive insurance company, Evolution Insurance Company Ltd. (the “Captive”) based in the Cayman Islands. Eckerd Connects paid \$36,000 for one share of common stock and one share of preferred stock in the Captive. As an owner of the Captive, Eckerd Connects is insured under a workers’ compensation program where the Captive reinsures workers’ compensation claims up to \$400,000 subject to a \$1.4 million annual aggregate. Claims in excess of \$400,000 are covered under two separate policies with an unrelated insurance carrier. Eckerd Connects remits premium payments to the Captive and the Captive remits premiums to the unrelated insurer and processes all claims payments using a third party administrator. The Captive provides management with estimates of total incurred workers’ compensation claims, including claims incurred but unreported and future development of covered claims using an actuarially-determined reserve methodology based on current and historical claims experience. At June 30, 2019, a letter of credit in the amount of \$537,963 has been issued to the Captive’s creditor as collateral for the payment of future claims. Effective April 2020, the letter of credit was increased to \$584,577. The letter of credit is secured by investment securities as described in Note 9.

In fiscal 2017, Eckerd Connects obtained workers’ compensation insurance under two policies with an unrelated insurance company. Under the terms of those policies, Eckerd Connects was responsible for the first \$350,000 of individual workers’ compensation claims. At June 30, 2020 and 2019, the estimated accrued workers’ compensation claims due under those 2017 policies was approximately \$116,000 and \$96,000, respectively. At June 30, 2019, a letter of credit has been issued for the benefit of this insurance carrier in the amount of \$432,000 as collateral for payment of future claims. Effective April 2020, the letter of credit was decreased to \$150,000. This letter of credit is secured by investment securities as described in Note 9. Actual costs to settle all claims under the 2020 and 2019 workers’ compensation programs may differ from these estimates.

Total workers’ compensation expense for the years ended June 30, 2020 and 2019 was \$621,076 and \$610,553, respectively.

*Unemployment claims:* Eckerd Connects contracted with an outside insurer for the administration of unemployment claims. Under the terms of the agreement, Eckerd Connects remits deposits to the insurer and is eligible for refunds based on actual claims experience. Additional premiums will be invoiced for changes in actual wages. Claims expense is capped based on a factor applied to actual wages. For the years ended June 30, 2020 and 2019, Eckerd Connects paid the insurer approximately \$266,000 and \$234,000 in claims deposits, respectively, and anticipates a nominal adjustment once actual wages have been audited and actual claims experience is determined. During fiscal 2020 and 2019, Eckerd Connects paid approximately \$0 and \$32,000, respectively, for prior premium adjustments due to increasing wages during fiscal 2019 and 2018. While actual claims expense may differ from these estimates, management does not believe any material liability exists with respect to this program.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### **(16) Other Contingencies**

Eckerd Connects routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of direct and indirect costs of providing program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's combined financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

Eckerd Connects is occasionally involved in litigation arising in the normal course of its operations. The outcome of current litigation cannot be determined at the report date. Management believes any potential loss under these claims would be expected to fall within the Organization's insurance policy limits. The only anticipated financial exposure would be payment of the insurance deductible, a nominal amount. In the opinion of management, no material liability exists with respect to these claims.

Eckerd Connects has a land lease agreement for property which is currently subleased to a third party. Under the terms of the land lease agreement, upon termination of the lease, Eckerd Connects would be required to restore the property to its original forested status.

#### **(17) Credit Policy and Concentration of Credit Risk**

Eckerd Connects provides educational, rehabilitation, and therapeutic programs for adolescents, adults and families 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, 2020 and 2019, no reserve for uncollectible accounts were considered necessary.

Eckerd Connects maintains its cash balances at various times during the year in excess of Federal Deposit Insurance Corporation ("FDIC") limits. At June 30, 2020, cash balances held by Eckerd Connects and its affiliates exceeded FDIC limits by approximately \$12.9 million.

#### **(18) Related Party Transactions**

Eckerd Connects received contributions totaling \$576,243 and \$54,985 from Board members during the years ended June 30, 2020 and 2019, respectively.

#### **(19) Acquisition of Odle Management Group, LLC**

Effective February 29, 2020, Eckerd Youth Alternatives, Inc. purchased 100% of the membership interest in Odle Management Group, LLC for \$13,322,124. The operating results of Odle from March 1, 2020 through June 30, 2020 are included in the combined statement of activities for the year ended June 30, 2020. Eckerd Connects paid cash consideration of \$7,500,000, incurred contingent liabilities for \$5,375,000 and recognized a current liability for the working capital true up payment of \$218,176 remitted in July 2020.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (19) Acquisition of Odle Management Group, LLC - Continued

The aggregate consideration for the Odle acquisition was allocated to the fair value of assets acquired and liabilities assumed as follows:

Cash and cash equivalents	\$	317,708
Accounts receivable		9,132,811
Inventory		145,855
Prepaid expenses		408,102
Furniture and equipment		98,485
Deposits		138,596
Non-competition agreement		666,000
Customer contracts		4,211,000
Proprietary software		56,000
Tradename		740,000
Goodwill		1,950,964
Accounts payable		(2,527,207)
Accrued expenses		(2,016,190)
		<u>13,322,124</u>

Included within the consideration paid for Odle are future payments that are contingent upon the acquired business renewing six key funding contracts subsequent to the acquisition date along with additional consideration contingent upon the acquisition of new funding contracts. The minimum and maximum amount of consideration that could be paid under the contingent earnout liabilities incurred as part of the Odle acquisition are \$0 and \$7.2 million plus 5-7% of any new contracts. The Organization's expected range of outcomes include the potential for no future amounts to be payable under the contingent agreement or the maximum future amounts to be payable under the contingent agreement. The estimates used in determining the fair value of contingent earnout liabilities are classified within Level 3 of the fair value hierarchy presented in Note 8. Professional fees incurred in connection with the acquisition totaled approximately \$183,000 in fiscal 2020.

#### (20) Risks and Uncertainties

The novel coronavirus ("COVID-19") spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect operations through the remainder of 2020, although such effects may vary significantly. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the combined financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of the curtailment of various program activities and the long-term effect on governmental support and contributions.

## ECKERD CONNECTS

### Notes to Combined Financial Statements - Continued

#### (20) Risks and Uncertainties - Continued

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Organization's investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Organization's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Organization's liquidity cannot be determined at this time.

#### (21) Liquidity and Availability of Resources

Eckerd Connects is supported by contributions with and without donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization regularly monitors liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal including cash and a short-term borrowing arrangement and revolving line of credit (described in Note 9).

As of June 30, 2020 and 2019, the Organization's financial assets available to meet general expenditures within one year were as follows:

	2020	2019
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 11,858,034	11,419,719
Accounts receivable	28,489,511	20,084,844
Contributions receivable	766,760	1,343,203
Investments	8,825,623	5,767,027
Note receivable	1,162,816	1,162,816
Beneficial interest in perpetual trusts	26,486,630	27,165,332
Total financial assets	77,589,374	66,942,941
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Long-term note receivable	(1,162,816)	(1,162,816)
Cash for the benefit of Eckerd Connects' clients	(1,393,695)	(1,366,846)
Donor restricted for specific purposes	(1,664,915)	(972,401)
Beneficial interest in perpetual trusts	(26,486,630)	(27,165,332)
Board-designations:		
Quasi-endowment	(8,863,136)	(5,804,955)
Financial assets available to meet cash needs for general expenditures within one year	\$ 38,018,182	30,470,591

**SUPPLEMENTARY FINANCIAL INFORMATION**

## ECKERD CONNECTS

### Combining Statement of Financial Position

June 30, 2020

	Eckerd Connects	Paxen, LLC	Odle Management Group, LLC	Eliminations	Consolidated Total	Caring for Children, Inc.	Eliminations	Combined Total
<b>Assets</b>								
Current assets:								
Cash and cash equivalents	\$ 8,074,670	204,358	1,291,032	-	9,570,060	894,279	-	10,464,339
Restricted cash	1,393,695	-	-	-	1,393,695	-	-	1,393,695
Accounts receivable	19,274,967	524,613	8,349,585	-	28,149,165	340,346	-	28,489,511
Intercompany receivable	(1,799,220)	1,916,284	-	-	117,064	(117,064)	-	-
Contributions receivable	766,760	-	-	-	766,760	-	-	766,760
Other current assets	896,120	17,093	759,232	-	1,672,445	2,934	-	1,675,379
Total current assets	28,606,992	2,662,348	10,399,849	-	41,669,189	1,120,495	-	42,789,684
Investments	8,825,623	-	-	-	8,825,623	-	-	8,825,623
Investments in subsidiaries	10,527,651	-	-	10,527,651	-	-	-	-
Note receivable	1,162,816	-	-	-	1,162,816	-	-	1,162,816
Other assets	522,107	13,935	137,296	-	673,338	41,017	-	714,355
Property and equipment, net	5,805,480	-	5,773	-	5,811,253	7,792	-	5,819,045
Goodwill	1,950,964	909,293	-	-	2,860,257	-	-	2,860,257
Other intangible assets	7,853,435	-	-	-	7,853,435	-	-	7,853,435
Beneficial interest in perpetual trusts	26,486,630	-	-	-	26,486,630	-	-	26,486,630
Total assets	\$ 91,741,698	3,585,576	10,542,918	10,527,651	95,342,541	1,169,304	-	96,511,845
<b>Liabilities and Net Assets</b>								
Current liabilities:								
Current installments of capital lease obligations	\$ 177,793	-	-	-	177,793	-	-	177,793
Current installments of long-term debt	975,630	-	-	-	975,630	-	-	975,630
Accounts payable and accrued expenses	17,432,146	41,677	3,559,166	-	21,032,989	62,376	-	21,095,365
Accrued pension expenses	805,245	-	-	-	805,245	-	-	805,245
Deferred revenue	412,790	-	-	-	412,790	-	-	412,790
Current installments under earnout liability	2,968,661	-	-	-	2,968,661	-	-	2,968,661
Total current liabilities	22,772,265	41,677	3,559,166	-	26,373,108	62,376	-	26,435,484
Capital lease obligations, less current portion	243,597	-	-	-	243,597	-	-	243,597
Long-term debt, excluding current installments	6,211,658	-	-	-	6,211,658	-	-	6,211,658
Obligation under earnout provision, less current portion	2,406,339	-	-	-	2,406,339	-	-	2,406,339
Total liabilities	31,633,859	41,677	3,559,166	-	35,234,702	62,376	-	35,297,078
Net assets:								
Without donor restrictions:								
Undesignated	23,130,671	3,543,899	6,983,752	10,527,651	23,130,671	1,069,415	-	24,200,086
Designated for long-term purposes	8,825,623	-	-	-	8,825,623	37,513	-	8,863,136
With donor restrictions	28,151,545	-	-	-	28,151,545	-	-	28,151,545
Total net assets	60,107,839	3,543,899	6,983,752	10,527,651	60,107,839	1,106,928	-	61,214,767
Total liabilities and net assets	\$ 91,741,698	3,585,576	10,542,918	10,527,651	95,342,541	1,169,304	-	96,511,845

See accompanying independent auditor's report.

## ECKERD CONNECTS

### Combining Statement of Activities

Year Ended June 30, 2020

	Eckerd Connects	Paxen, LLC	Odle Management Group, LLC	Eliminations	Consolidated Total	Caring for Children, Inc.	Eliminations	Combined Total
Net assets without donor restrictions:								
Operating support and revenue:								
Program revenues:								
Funding contracts	\$ 245,933,798	3,669,729	30,011,974	247,499	279,368,002	1,599,111	-	280,967,113
Medicaid and third party insurance	449,939	-	-	-	449,939	681,254	-	1,131,193
Contributions	3,471,918	-	-	-	3,471,918	241	-	3,472,159
Interest and dividends, net of fees	188,056	-	-	-	188,056	-	-	188,056
Other revenue	312,038	2,571	-	-	314,609	14,825	-	329,434
Net assets released from restriction	19,183	-	-	-	19,183	38,103	-	57,286
	<u>250,374,932</u>	<u>3,672,300</u>	<u>30,011,974</u>	<u>247,499</u>	<u>283,811,707</u>	<u>2,333,534</u>	<u>-</u>	<u>286,145,241</u>
Operating expenses	<u>250,525,509</u>	<u>3,934,503</u>	<u>28,441,234</u>	<u>247,499</u>	<u>282,653,747</u>	<u>2,458,527</u>	<u>-</u>	<u>285,112,274</u>
Change in net assets without donor restrictions from operations	(150,577)	(262,203)	1,570,740	-	1,157,960	(124,993)	-	1,032,967
Other changes in net assets without donor restrictions:								
Unrealized and realized gains on investments	321,699	-	-	-	321,699	-	-	321,699
Equity in earnings of subsidiaries	1,368,612	-	-	1,368,612	-	-	-	-
Gain on sale of property and equipment	10,109	53,960	3,800	-	67,869	-	-	67,869
Change in net assets without donor restrictions	<u>1,549,843</u>	<u>(208,243)</u>	<u>1,574,540</u>	<u>1,368,612</u>	<u>1,547,528</u>	<u>(124,993)</u>	<u>-</u>	<u>1,422,535</u>
Net assets with donor restrictions:								
Grants and contributions	639,895	2,315	-	-	642,210	107,590	-	749,800
Net assets released from restriction	(19,183)	-	-	-	(19,183)	(38,103)	-	(57,286)
Change in value of beneficial interest in perpetual trusts	<u>(678,702)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(678,702)</u>	<u>-</u>	<u>-</u>	<u>(678,702)</u>
Change in net assets with donor restrictions	<u>(57,990)</u>	<u>2,315</u>	<u>-</u>	<u>-</u>	<u>(55,675)</u>	<u>69,487</u>	<u>-</u>	<u>13,812</u>
Change in net assets	<u>\$ 1,491,853</u>	<u>(205,928)</u>	<u>1,574,540</u>	<u>1,368,612</u>	<u>1,491,853</u>	<u>(55,506)</u>	<u>-</u>	<u>1,436,347</u>

# ECKERD CONNECTS

## Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2020

Federal/State Agency/ Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>Eckerd Connects:</b>				
<b>U.S. Department of Agriculture:</b>				
<i>Child Nutrition Cluster:</i>				
National School Breakfast Program:	10.553			
Passed through from the State of Florida Department of Education		01-0112	\$ 20,928	-
Passed through from the State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>58,131</u>	-
Total National School Breakfast Program			79,059	-
National School Lunch Program:	10.555			
Passed through from the State of Florida Department of Education		01-0112	39,216	-
Passed through from the State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>108,789</u>	-
Total National School Lunch Program			<u>148,005</u>	-
Total Child Nutrition Cluster			227,064	-
Emergency Food Assistance Program (Food Commodities):	10.569			
Passed through from the State of Florida Department of Agriculture and Consumer Services		01-0112	1,312	-
Passed through from the State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>7,569</u>	-
Total Emergency Food Assistance Program (Food Commodities)			<u>8,881</u>	-
Total U.S. Department of Agriculture			235,945	-
<b>U.S. Department of Education:</b>				
E-Rate:	84.000			
Passed through from the Universal Service Administrative Company			<u>52,881</u>	-
Total E-Rate			52,881	-
Special Education Grants to States:	84.027			
Passed through from the State of North Carolina Department of Public Safety		DPS-22415849-WCC	<u>4,107</u>	-
Total Special Education Grants to States			<u>4,107</u>	-
Total U.S. Department of Education			56,988	-
<b>U.S. Department of Health and Human Services:</b>				
Promoting Safe and Stable Families:	93.556			
Passed through from the Brevard County Partnership		SVP1501	36,000	-
Passed through from the State of North Carolina Department of Health and Human Services		38633	199,598	-
Passed through from the State of Florida Department of Children and Families		QJ3E0	2,071,213	2,037,830
Passed through from the State of Florida Department of Children and Families		QJ511	<u>1,686,649</u>	<u>1,367,201</u>
Total Promoting Safe and Stable Families			3,993,460	3,405,031
<b>TANF Cluster:</b>				
Temporary Assistance for Needy Families:	93.558			
Passed through from the Delaware County Workforce Development Board		ECK-026-19YT	35,499	-
Passed through from the Delaware County Workforce Development Board		ECK-028-19YT	56,342	-
Passed through from Philadelphia Works		PW20-054	69,218	-
Passed through from Philadelphia Works		YT-20-038	381,739	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-19-3279	155,818	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-20-3343	186,987	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-19-3279	455,368	-
Passed through from CareerSource Flager Volusia		PY2019-20 VOL	350,775	-
Passed through State of California, County of San Luis Obispo		C009 - 2019	371,988	-
Passed through from the State of Florida Department of Children and Families		QJ3E0	6,696,119	3,925,485
Passed through from the State of Florida Department of Children and Families		QJ511	<u>7,307,406</u>	<u>3,517,622</u>
Total Temporary Assistance for Needy Families and TANF Cluster			<u>16,067,259</u>	<u>7,443,107</u>

(Continued)

## ECKERD CONNECTS

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency/ Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Community-Based Child Abuse Prevention Grants:	93.590			
Passed through from the State of Florida Department of Children and Families		QJ66A	\$ 59,360	59,360
Passed through from the State of Florida Department of Children and Families		QJ66B	59,360	59,360
Total Community-Based Child Abuse Prevention Grants			118,720	118,720
Grants to States for Access and Visitation Programs:	93.597			
Passed through from the State of Florida Department of Children and Families		QJ511	31,746	31,746
Total Grants to States for Access and Visitation Programs			31,746	31,746
Chafee Education and Training Vouchers Program (ETV):	93.599			
Passed through from the State of Florida Department of Children and Families		QJ3E0	79,718	-
Passed through from the State of Florida Department of Children and Families		QJ511	129,676	-
Total Chafee Education and Training Vouchers Program (ETV)			209,394	-
Head Start:	93.600			
Direct federal award from the U.S. Department of Health and Human Services		04HP0000169-02	757,652	-
Direct federal award from the U.S. Department of Health and Human Services		04HP0000169-01	5,385,164	-
Direct federal award from the U.S. Department of Health and Human Services		04HP000404-01	915,125	-
Direct federal award from the U.S. Department of Health and Human Services		04HP0025-04	67,399	-
Total Head Start			7,125,340	-
Stephanie Tubbs Jones Child Welfare Services Program:	93.645			
Passed through from the State of Florida Department of Children and Families		QJ3E0	1,450,178	1,027,989
Passed through from the State of Florida Department of Children and Families		QJ511	1,181,574	642,877
Total Stephanie Tubbs Jones Child Welfare Services Program			2,631,752	1,670,866
Foster Care Title IV-E:	93.658			
Passed through from the State of Florida Department of Children and Families		QJ3E0	14,352,598	9,081,285
Passed through from the State of Florida Department of Children and Families		QJ511	11,892,697	6,321,370
Total Foster Care Title IV-E			26,245,295	15,402,655
Adoption Assistance:	93.659			
Passed through from the State of Florida Department of Children and Families		QJ3E0	12,139,464	1,216,020
Passed through from the State of Florida Department of Children and Families		QJ511	12,135,104	736,029
Total Adoption Assistance			24,274,568	1,952,049
Social Services Block Grant:	93.667			
Passed through from the State of Florida Department of Children and Families		QJ3E0	3,073,890	1,205,496
Passed through from the State of Florida Department of Children and Families		QJ511	4,778,852	1,780,767
Total Social Services Block Grant			7,852,742	2,986,263
Child Abuse and Neglect State Grants:	93.669			
Passed through from the State of Florida Department of Children and Families		QJ3E0	62,021	35,806
Passed through from the State of Florida Department of Children and Families		QJ511	164,185	124,693
Passed through from the State of Florida Department of Children and Families		QJ003	107,564	103,557
Total Child Abuse and Neglect State Grants			333,770	264,056
John H. Chafee Foster Care Program for Successful Transition to Adulthood:	93.674			
Passed through from the State of Florida Department of Children and Families		QJ3E0	504,415	445,816
Passed through from the State of Florida Department of Children and Families		QJ511	427,679	373,840
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			932,094	819,656

(Continued)

## ECKERD CONNECTS

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency/ Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<i>Medicaid Cluster:</i>				
Medical Assistance Program:	93.778			
Passed through from the State of Florida Department of Children and Families		QJ3E0	\$ 50,505	-
Passed through from the State of Florida Department of Children and Families		QJ511	76,893	-
Total Medical Assistance Program			127,398	-
Total Medicaid Cluster			127,398	-
State Targeted Response to the Opioid Crisis Grants:	93.788			
Passed through from Central Florida Cares Health System		EKM-21	285,626	-
Total State Targeted Response to the Opioid Crisis Grants			285,626	-
Block Grant for the Prevention and Treatment of Substance Abuse:	93.959			
Passed through from Central Florida Cares Health System		EKM-21	1,405,406	-
Passed through from Lutheran Services Florida, Inc.		LS027A.116	412,613	-
Total Block Grant for the Prevention and Treatment of Substance Abuse			1,818,019	-
Total U.S. Department of Health and Human Services			92,047,183	34,094,149
<i>U.S Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17.258			
Passed through from Pee Dee Regional Council of Governments		9A507I1	1,013,003	-
Passed through from Pee Dee Regional Council of Governments		9A507I2 / 9D507I2	53,736	-
Passed through from the Durham Workforce Development Board		n/a	401,284	-
Passed through the State of North Carolina City of Durham		NC 2018-20 REO	29,784	-
Passed through from Kansas Local Workforce Development Board		PY 2019-20 KS	91,613	-
Passed through from the Appalachian Council on Government		19A995E1/19D995E1	760,094	-
Passed through from the Berkley Charleston Dorchester Council of Governments		TWDB ADW FY19-20	909,073	-
Passed through from the Berkley Charleston Dorchester Council of Governments		2019-2020 Adult OSO	238,067	-
Passed through from the Lower Savannah Workforce Development Area		9AC97ED	1,236,062	-
Passed through from the Lower Savannah Workforce Development Area		9DAY697ED	49,325	-
Passed through from the Lower Savannah Workforce Development Area		19471000	714,756	-
Passed through from the Santee Lynches Workforce Development Board		81396E1	270,886	-
Passed through from WorkSource Montgomery, Inc.		2019-0001	136,077	-
Passed through from the State of New York Department of Youth and Community Development		60796C	86,795	-
Passed through from the State of California County of San Luis Obispo Department of Social Services		C014 - 2019	499,050	-
Passed through from the State of California City of San Jose Office of Economic Development		1633891	1,040,717	-
Passed through from the Capital Area Workforce Development		EC00000000001475	216,670	-
Passed through State of New Jersey County of Mercer		PY2018-292	156,830	-
Passed through from the Citrus Levy Marion Regional Workforce Development Board		PY17-LOA-05	10,465	-
Passed through from the Ocean County Workforce Development Board		017-818-6536	262,433	-
Passed through from the State of Maryland Prince George County		2018CR-WDB-005	52,174	-
Passed through from the Philadelphia Works		TW-19-174	3,671,101	-
Passed through from the Philadelphia Works		PW20-054	7,691	-
Passed through from Employ Indy		S0506-WCF-19-WOI	632,556	-
Total WIOA Adult Program			12,540,242	-

(Continued)

## ECKERD CONNECTS

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency/ Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
WIOA Youth Activities:	17.259			
Passed through the State of North Carolina City of Durham		NC 2018-20 REO	\$ 136,808	-
Passed through the State of North Carolina City of Durham		NC FY 19-20 Yth	777	-
Passed through from the Durham Workforce Development Board		n/a	367,981	-
Passed through from the Appalachian Council on Government		19Y495E2	531,724	-
Passed through from the Berkley Charleston Dorchester Council of Governments		TWDB Yth FY19-20	663,268	-
Passed through from the Santee Lynches Workforce Development Board		9AC-97ED	462,414	-
Passed through from the State of California City of San Jose				
Office of Economic Development		1633891	900,230	-
Passed through from the Lower Savannah Workforce Development Area		9DAY697ED	49,325	-
Passed through from the Lower Savannah Workforce Development Area		9N197ED	764,417	-
Passed through from Pee Dee Regional Council of Governments		9Y50791	514,239	-
Passed through from South Carolina Department of Employment and Workforce		17WIG07	183,928	-
Passed through from the Citrus Levy Marion Regional Workforce Development Board		PY17 - LOA - 06	1,073,360	-
Passed through from the Delaware County Workforce Development Board		ECK-028-19YT	152,854	-
Passed through from the State of New York Department of Youth and Community Development		90529	672,795	-
Passed through from the State of New York Department of Youth and Community Development		90528	817,482	-
Passed through from the Career Source Research Coast		15-003-YWS	984,938	-
Passed through from the Pasco Hernando Workforce Board, Inc.		n/a	940,639	-
Passed through from the CareerSource Flagler Volusia		PY 2019-20 VOL	350,775	-
Passed through from the First Coast Workforce Development Board		2019-2020-02	567,820	-
Passed through from the State of California County of San Luis Obispo				
Department of Social Services		C022 - 2019	362,711	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-19-3279	455,368	-
Passed through from the State of Maryland Prince George County		2018CR-WDB-004	322,606	-
Passed through from the State of Maryland Prince George County		2018CR-WDB-005	52,174	-
Passed through from the State of California County of Stanislaus		936-19	299,042	-
Passed through from Employ Indy		S0506-WCF-19-WOI	22,929	-
Direct federal award from the U.S. Department of Labor		72-050719	336,018	-
<b>Total WIOA Youth Activities</b>			<b>11,986,622</b>	<b>-</b>
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from the Appalachian Council on Government		19A995E1/19D995E1	135,733	-
Passed through from the Berkley Charleston Dorchester Council of Governments		TWDB ADW FY19-20	208,224	-
Passed through from the Durham Workforce Development Board		n/a	179,506	-
Passed through from the Lower Savannah Workforce Development Area		9DW008	458,596	-
Passed through from the Lower Savannah Workforce Development Area		9DAY697ED	49,325	-
Passed through from the Berkley Charleston Dorchester Council of Governments		2019-2020-DW	100,007	-
Passed through from the Upper Savannah Council on Government		72396E1	117,385	-
Passed through from the Upper Savannah Council on Government		82396E1	17,970	-
Passed through from the Lower Savannah Workforce Development Area		19471000	64,563	-
Passed through from the State of California County of San Luis Obispo				
Department of Social Services		C014 - 2019	219,415	-
Passed through from the Pee Dee Regional Council of Governments		9D50711	117,452	-
Passed through from the Pee Dee Regional Council of Governments		8D50712	16,020	-
Passed through from the Citrus Levy Marion Regional Workforce Development Board		PY17 - LOA - 05	8,922	-
Passed through from the State of Maryland Prince George County		2018CR-WDB-005	52,174	-
Passed through from the State of California City of San Jose				
Office of Economic Development		1633891	427,066	-
Passed through from the Appalachian Council on Government		18RR295E2	12,767	-
Passed through from the Pee Dee Regional Council of Governments		0RR50711	84,938	-
Passed through from Employ Indy		S0506-WCF-19-WOI	171,970	-
<b>Total WIOA Dislocated Worker Formula Grants</b>			<b>2,442,033</b>	<b>-</b>
<b>Total WIOA Cluster</b>			<b>\$ 26,968,897</b>	<b>-</b>

(Continued)

## ECKERD CONNECTS

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

Federal/State Agency/ Pass-through Entity/ Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Reentry Employment Opportunities:	17.270			
Direct federal award from the U.S. Department of Labor		YF-29324-16-60-A-12	\$ 357,044	247,499
Total Reentry Employment Opportunities			357,044	247,499
YouthBuild	17.274			
Passed through from the Citrus Levy Marion Regional Workforce Development Board		PY17 - LOA - 05	32,952	-
Total YouthBuild			32,952	-
Total U.S. Department of Labor			27,358,893	247,499
Total Expenditures of Federal Awards - Eckerd Connects			\$ 119,699,009	34,341,648
<b>Caring for Children:</b>				
<i>U.S. Department of Health and Human Services:</i>				
Promoting Safe and Stable Families:	93.556			
Passed through State of North Carolina Department of Health and Human Services		38837	\$ 424,582	-
Passed through State of North Carolina Department of Health and Human Services		38920	38,761	-
Total Promoting Safe and Stable Families			463,343	-
Basic Center Grant:	93.623			
Direct federal award from the U.S. Department of Health and Human Services		90CY7076	136,690	-
Total Basic Center Grant			136,690	-
Total U.S. Department of Health and Human Services			600,033	-
Total Expenditures of Federal Awards - Caring for Children			\$ 600,033	-
<b>Paxen, LLC:</b>				
<i>U.S. Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17.258			
Passed through from the River Valley Regional Commission		AA307431755A13	\$ 194,056	-
Passed through from the Macon-Bibb County Workforce Development Board		n/a	98,901	-
Total WIOA Adult Program			292,957	-
WIOA Youth Activities:	17.259			
Passed through from the River Valley Regional Commission		AA407431755A13	285,379	-
Passed through from the Southern Georgia Regional Commission		19-04	351,066	-
Passed through from the State Workforce Coastal		16-0167	86,323	-
Passed through from the State Workforce Coastal		2019-ECP YS-GCM-02	294,859	-
Passed through from the Northeast Georgia Regional Commission		AA32611855A13	199,960	-
Passed through from the Three Rivers Workforce Development		2017-YS-Paxen-01	9,574	-
Passed through from the Macon-Bibb County Workforce Development Board		n/a	405,313	-
Passed through from the State of Georgia Dekalb County		1086650	108,128	-
Passed through from the Northwest Georgia Regional Commission		01-19-20-0167	379,785	-
Passed through from the State of Georgia City of Colquitt		PY18-126-WIOA	521,152	-
Passed through from the Atlanta Regional Commission		WD1812.2	480,568	-
Total WIOA Youth Activities			3,122,107	-
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from the Macon-Bibb County Workforce Development Board		n/a	7,166	-
Total Reentry Employment Opportunities			7,166	-
Total WIOA Cluster			3,422,230	-
Total Expenditures of Federal Awards - Paxen, LLC			3,422,230	-
Total Expenditures of Federal Awards - All Entities			\$ 123,721,272	34,341,648

(Continued)

## ECKERD CONNECTS

### Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

State Agency/ Pass-through Entity/ State Project	CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
<b>Eckerd Connects - State of Florida State Financial Assistance:</b>				
<i>Department of Children and Families:</i>				
Out of Home Supports:	60.074			
Direct state award from the Department of Children and Families		QJ3E0	\$ 2,505,737	805,532
Direct state award from the Department of Children and Families		QJ511	3,040,991	1,547,470
Total Out of Home Supports			<u>5,546,728</u>	<u>2,353,002</u>
Independent Living:	60.112			
Direct state award from the Department of Children and Families		QJ3E0	162,680	-
Direct state award from the Department of Children and Families		QJ511	147,821	-
Total Independent Living			<u>310,501</u>	<u>-</u>
Extended Foster Care:	60.141			
Direct state award from the Department of Children and Families		QJ3E0	8,850	-
Direct state award from the Department of Children and Families		QJ511	12,928	-
Total Extended Foster Care			<u>21,778</u>	<u>-</u>
CBC - Purchase of Therapeutic Services for Children:	60.183			
Direct state award from the Department of Children and Families		QJ3E0	898,527	252,420
Direct state award from the Department of Children and Families		QJ511	1,076,251	261,790
Total CBC - Purchase of Therapeutic Services for Children			<u>1,974,778</u>	<u>514,210</u>
Total Department of Children and Families			<u>7,853,785</u>	<u>2,867,212</u>
<i>Department of Juvenile Justice:</i>				
Day Treatment Services:	80.021			
Direct state award from the Department of Juvenile Justice		10591	1,875,820	-
Direct state award from the Department of Juvenile Justice		10645	1,635,506	-
Total Day Treatment Services			<u>3,511,326</u>	<u>-</u>
Total Department of Juvenile Justice			<u>3,511,326</u>	<u>-</u>
Total Expenditures of State of Florida State Financial Assistance - Eckerd Connects			<u>\$ 11,365,111</u>	<u>2,867,212</u>

## ECKERD CONNECTS

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2020

(A) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and its affiliates, Caring for Children, Inc. and Paxen, LLC (collectively, "Eckerd Connects") under programs of the federal government and the State of Florida for the year ended June 30, 2020. The information in this schedule is presented in accordance with the 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 State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Eckerd Connects, it is not intended to and does not present the combined financial position, changes in net assets or cash flows of Eckerd Connects.

(B) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*. Under these cost principles, certain expenditures are not allowable or are limited as to reimbursement.

(C) **Non-Cash Assistance/Federal Insurance**

Eckerd Connects and its affiliates had non-cash assistance in the form of food commodities totaling \$8,881 for the year ended June 30, 2020. Eckerd Connects and its affiliates did not have Federal Insurance in force during the year ended June 30, 2020.

(D) **Other**

The accompanying Schedule includes federal expenditures awarded by pass-through agencies. Expenditures of certain federal programs were awarded to Eckerd Connects by more than one pass-through agency or under more than one contract.

Due to Eckerd Youth Alternatives, Inc.'s historical use of a negotiated indirect cost rate agreement with the U.S. Department of Health and Human Services, Eckerd Youth Alternatives, Inc. is not using the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Caring for Children, Inc. and Paxen, LLC have elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## ECKERD CONNECTS

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued

#### (D) Other - Continued

Total federal expenditures by federal program for the year ended June 30, 2020 were as follows:

CFDA No.	Federal Program	Eckerd Youth Alternatives, Inc.	Caring for Children, Inc.	Paxen, LLC	Total Expenditures
<i>Child Nutrition Cluster:</i>					
10.553	National School Breakfast Program	\$ 79,059	-	-	79,059
10.555	National School Lunch Program	148,005	-	-	148,005
		<u>227,064</u>	<u>-</u>	<u>-</u>	<u>227,064</u>
10.569	Emergency Food Assistance Program (Food	8,881	-	-	8,881
<i>WIOA Cluster:</i>					
17.258	WIOA Adult Program	12,540,242	-	292,957	12,833,199
17.259	WIOA Youth Activities	11,986,622	-	3,122,107	15,108,729
17.278	WIOA Dislocated Worker Formula Grants	2,442,033	-	7,166	2,449,199
		<u>26,968,897</u>	<u>-</u>	<u>3,422,230</u>	<u>30,391,127</u>
17.270	Reentry Employment Opportunities	357,044	-	-	357,044
17.274	YouthBuild	32,952	-	-	32,952
84.000	E-Rate	52,881	-	-	52,881
84.027	Special Education Grants to States	4,107	-	-	4,107
93.556	Promoting Safe and Stable Families	3,993,460	463,343	-	4,456,803
<i>TANF Cluster:</i>					
93.558	Temporary Assistance to Needy Families	16,067,259	-	-	16,067,259
93.590	Community-Based Child Abuse Prevention Grants	118,720	-	-	118,720
93.597	Grants to States for Access and Visitation Programs	31,746	-	-	31,746
93.599	Chafee Education and Training Vouchers Program (ETV)	209,394	-	-	209,394
93.600	Head Start	7,125,340	-	-	7,125,340
93.623	Basic Center Grant	-	136,690	-	136,690
93.645	Stephanie Tubbs Jones Child Welfare Services Program	2,631,752	-	-	2,631,752
93.658	Foster Care Title IV-E	26,245,295	-	-	26,245,295
93.659	Adoption Assistance	24,274,568	-	-	24,274,568
93.667	Social Services Block Grant	7,852,742	-	-	7,852,742
93.669	Child Abuse and Neglect State Grants	333,770	-	-	333,770
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood	932,094	-	-	932,094
<i>Medicaid Cluster:</i>					
93.778	Medical Assistance Program	127,398	-	-	127,398
93.788	State Targeted Response to the Opioid Crisis Grants	285,626	-	-	285,626
93.959	Block Grant for the Prevention and Treatment of Substance Abuse	1,818,019	-	-	1,818,019
		<u>\$ 119,699,009</u>	<u>600,033</u>	<u>3,422,230</u>	<u>123,721,272</u>

**INTERNAL CONTROL AND COMPLIANCE**



**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Combined Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Eckerd Youth Alternatives, Inc. and Affiliates:

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 combined financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, “Eckerd Connects”), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated December 22, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered Eckerd Connects’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eckerd Connects’ internal control. Accordingly, we do not express an opinion on the effectiveness of Eckerd Connects’ 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 Eckerd Connects' combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Mayer Hoffman McCann P.C.*

December 22, 2020  
Clearwater, Florida



**Independent Auditor’s Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the State of Florida Auditor General**

The Board of Directors  
Eckerd Youth Alternatives, Inc. and Affiliates:

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

We have audited Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Florida Department of Financial Services’ State Projects Compliance Supplement*, that could have a direct and material effect on each of Eckerd Connects’ major federal programs and state projects for the year ended June 30, 2020. Eckerd Connects’ major federal programs and state financial assistance projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of Eckerd Connects’ major federal programs and major 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; and 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 State of Florida 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 federal program or state project occurred. An audit includes examining, on a test basis, evidence about Eckerd Connects’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Eckerd Connects complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2020.

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

Management of Eckerd Connects is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Eckerd Connects' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and 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 federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Eckerd Connects' 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 federal program or state financial assistance project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state 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 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



December 22, 2020  
Clearwater, Florida

## ECKERD CONNECTS

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

#### (A) Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the combined financial statements of Eckerd Youth Alternatives, Inc. and Affiliates.
2. No significant deficiencies or material weaknesses relating to the audit of the combined financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the combined financial statements of Eckerd Youth Alternatives, Inc. and Affiliates were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal programs and state projects are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*.
5. The auditor's report on compliance for the major federal award programs and state projects for Eckerd Youth Alternatives, Inc. and Affiliates expresses an unmodified opinion.
6. Audit findings, if any, relative to the major federal award programs and state projects for Eckerd Youth Alternatives, Inc. and Affiliates are reported in Part C and Part D of this schedule.

The programs tested as major federal programs and state projects were:

#### **Federal Programs:**

Promoting Safe and Stable Families (CFDA No. 93.556)  
TANF Cluster (CFDA No. 93.558)  
Head Start (CFDA No. 93.600)  
Adoption Assistance (CFDA No. 93.659)

#### **Florida State Projects:**

Out-of-Home Supports (CSFA No. 60.074)  
Day Treatment Services (CSFA No. 80.021)

7. The threshold for distinguishing Types A and B programs was \$3,000,000 for major federal programs, \$750,000 for Florida major state projects.
8. Eckerd Youth Alternatives, Inc. and Affiliates were determined to be low-risk auditees.

**ECKERD CONNECTS**

**Schedule of Findings and Questioned Costs - Continued**

**(B) Findings - Audit of Combined Financial Statements**

None.

**(C) Findings and Questioned Costs - Major Federal Award Programs**

None.

**(D) Findings and Questioned Costs - Major State Financial Assistance Projects**

None.

**(E) Other Issues**

A Summary Schedule of Prior Audit Findings is not required because there were no findings reported in the 2019 audit.



The Board of Directors  
Eckerd Youth Alternatives, Inc. and Affiliates:

### Report on Combined Financial Statements

We have audited the combined financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, “Eckerd Connects” as of and for the year ended June 30, 2020, and have issued our report thereon dated December 22, 2020.

### Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States; 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 State of Florida Auditor General*.

### Other Reports and Schedule

We have issued our Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Combined Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditor’s Report on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the State of Florida Auditor General*, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 22, 2020, should be considered in conjunction with this management letter.

### Other Matter

Section 10.654(1)(e), *Rules of the State of Florida Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the combined financial statements or State Project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not identify any such findings.

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

*Mayer Hoffman McCann P.C.*

December 22, 2020  
Clearwater, Florida