



Audited Financial Statements

June 30, 2021 and 2020

ECKERD CONNECTS

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AUDITED FINANCIAL STATEMENTS



**Independent Auditors' Report on Consolidated Financial Statements
and Supplementary Financial Information**

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, "Eckerd Connects" or the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Odle Management Group, LLC, a company included in the consolidated financial statements, which statements reflect total assets of \$15,261,921 as of June 30, 2021 and total revenues of \$85,187,680 for the year ended June 30, 2021. 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 consolidated financial statements are free from material misstatement.

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



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

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eckerd Connects as of June 30, 2021 and 2020, 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 consolidated financial statements as a whole. The accompanying consolidating 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, 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 21, 2021
St. Petersburg, Florida

ECKERD CONNECTS

Consolidated Statements of Financial Position

June 30, 2021 and 2020

| Assets | <u>2021</u> | <u>2020</u> |
|--|-----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 20,571,856 | 10,464,339 |
| Restricted cash | 1,492,739 | 1,393,695 |
| Accounts receivable | 27,652,563 | 28,489,511 |
| Contributions receivable | 679,373 | 766,760 |
| Other current assets | <u>1,332,059</u> | <u>1,675,379</u> |
| Total current assets | 51,728,590 | 42,789,684 |
| Investments | 10,360,086 | 8,825,623 |
| Note receivable | - | 1,162,816 |
| Other assets | 890,697 | 714,355 |
| Property and equipment, net | 6,798,557 | 5,819,045 |
| Goodwill | 2,860,257 | 2,860,257 |
| Other intangible assets | 6,542,828 | 7,853,435 |
| Beneficial interest in perpetual trusts | <u>32,820,174</u> | <u>26,486,630</u> |
| Total assets | <u>\$ 112,001,189</u> | <u>96,511,845</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Current portion of capital lease obligations | \$ 159,027 | 177,793 |
| Current installments of long-term debt | 1,010,330 | 975,630 |
| Accounts payable and accrued expenses | 26,718,139 | 21,095,365 |
| Accrued pension expenses | 1,044,505 | 805,245 |
| Deferred revenue | 634,017 | 412,790 |
| Current portion of obligation under earnout provision | <u>2,839,567</u> | <u>2,968,661</u> |
| Total current liabilities | 32,405,585 | 26,435,484 |
| Capital lease obligations, less current portion | 388,280 | 243,597 |
| Long-term debt, excluding current installments | 5,199,955 | 6,211,658 |
| Obligation under earnout provision, less current portion | <u>-</u> | <u>2,406,339</u> |
| Total liabilities | 37,993,820 | 35,297,078 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 29,149,467 | 24,200,086 |
| Designated | <u>10,406,665</u> | <u>8,863,136</u> |
| Total net assets without donor restrictions | 39,556,132 | 33,063,222 |
| With donor restrictions | <u>34,451,237</u> | <u>28,151,545</u> |
| Total net assets | <u>74,007,369</u> | <u>61,214,767</u> |
| Total liabilities and net assets | <u>\$ 112,001,189</u> | <u>96,511,845</u> |

See accompanying independent auditors' report and notes to consolidated financial statements.

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2021
(With Comparative Totals for 2020)

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|-------------------------------|----------------------------|-------------|-------------|
| | | | 2021 | 2020 |
| Operating support and revenue: | | | | |
| Program revenues: | | | | |
| Funding contracts | \$ 347,042,784 | - | 347,042,784 | 280,967,113 |
| Medicaid and third party insurance | 790,980 | - | 790,980 | 1,131,193 |
| Contributions | 4,160,955 | - | 4,160,955 | 3,472,159 |
| Interest and dividends, net of fees | 258,839 | - | 258,839 | 188,056 |
| Other revenue | 291,028 | - | 291,028 | 329,434 |
| Net assets released from restriction: | | | | |
| Satisfaction of use restrictions | 968,489 | - | 968,489 | 57,286 |
| | 353,513,075 | - | 353,513,075 | 286,145,241 |
| Total operating support and revenue | | | | |
| Operating expenses: | | | | |
| Program services | 323,770,993 | - | 323,770,993 | 267,989,961 |
| Supporting services | 24,612,611 | - | 24,612,611 | 17,122,313 |
| | 348,383,604 | - | 348,383,604 | 285,112,274 |
| Total operating expenses | | | | |
| Change in net assets from operations | 5,129,471 | - | 5,129,471 | 1,032,967 |
| Other changes: | | | | |
| Unrealized and realized gains on investments | 1,279,717 | - | 1,279,717 | 321,699 |
| Gain on sale of property and equipment | 83,722 | - | 83,722 | 67,869 |
| Restricted grants and contributions | - | 934,637 | 934,637 | 749,800 |
| Change in value of beneficial interest in perpetual trusts | - | 6,333,544 | 6,333,544 | (678,702) |
| Net assets released from restrictions | - | (968,489) | (968,489) | (57,286) |
| | 1,363,439 | 6,299,692 | 7,663,131 | 403,380 |
| Total other changes | | | | |
| Change in net assets | 6,492,910 | 6,299,692 | 12,792,602 | 1,436,347 |
| Net assets at beginning of year | 33,063,222 | 28,151,545 | 61,214,767 | 59,778,420 |
| Net assets at end of year | \$ 39,556,132 | 34,451,237 | 74,007,369 | 61,214,767 |

See accompanying independent auditors' report and notes to consolidated financial statements.

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|--------------|
| Operating support and revenue: | | | |
| Program revenues: | | | |
| Funding contracts | \$ 280,967,113 | - | 280,967,113 |
| Medicaid and third party insurance | 1,131,193 | - | 1,131,193 |
| Contributions | 3,472,159 | - | 3,472,159 |
| Interest and dividends, net of fees | 188,056 | - | 188,056 |
| Other revenue | 329,434 | - | 329,434 |
| Net assets released from restriction: | | | |
| Satisfaction of use restrictions | 57,286 | - | 57,286 |
| Total operating support and revenue | 286,145,241 | - | 286,145,241 |
| Operating expenses: | | | |
| Program services | 267,989,961 | - | 267,989,961 |
| Supporting services | 17,122,313 | - | 17,122,313 |
| Total operating expenses | 285,112,274 | - | 285,112,274 |
| Change in net assets from operations | 1,032,967 | - | 1,032,967 |
| Other changes: | | | |
| Unrealized and realized gains on investments | 321,699 | - | 321,699 |
| Gain on sale of property and equipment | 67,869 | - | 67,869 |
| Restricted grants and contributions | - | 749,800 | 749,800 |
| Change in value of beneficial interest in perpetual trust | - | (678,702) | (678,702) |
| Net assets released from restrictions | - | (57,286) | (57,286) |
| Total other changes | 389,568 | 13,812 | 403,380 |
| Change in net assets | 1,422,535 | 13,812 | 1,436,347 |
| Net assets at beginning of year | 31,640,687 | 28,137,733 | 59,778,420 |
| Net assets at end of year | \$ 33,063,222 | 28,151,545 | 61,214,767 |

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021
(With Comparative Totals for 2020)

| | 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 | 2021 | 2020 |
| Operating expenses: | | | | | | | | | | | |
| Payroll and related expenses | \$ 7,902,842 | 14,079,517 | 19,342,232 | 77,866,985 | 334,195 | 119,525,771 | 13,687,703 | 932,183 | 14,619,886 | 134,145,657 | 85,963,916 |
| Employee related | 62,986 | 85,912 | 81,061 | 30,507 | 23,800 | 284,266 | 54,262 | 189 | 54,451 | 338,717 | 371,423 |
| Training | 26,675 | 282,643 | 11,381 | 335,183 | 21 | 655,903 | 26,503 | 3,260 | 29,763 | 685,666 | 505,254 |
| Supplies and materials | 289,735 | 590,208 | 280,646 | 890,601 | 21,201 | 2,072,391 | 447,893 | 56,583 | 504,476 | 2,576,867 | 3,105,289 |
| Food | 383,473 | 38,554 | 16,092 | 2,371 | 536 | 441,026 | 7 | - | 7 | 441,033 | 416,666 |
| Technology | 121,881 | 151,836 | 754,120 | 160,561 | 40,853 | 1,229,251 | 1,055,519 | 68,854 | 1,124,373 | 2,353,624 | 2,623,073 |
| Travel | 47,966 | 387,062 | 209,893 | 198,724 | 22,107 | 865,752 | 321,067 | 7,817 | 328,884 | 1,194,636 | 1,791,862 |
| Vehicle | 65,429 | 153,572 | 56,437 | - | 392 | 275,830 | 13,908 | 11,796 | 25,704 | 301,534 | 293,086 |
| Repairs and maintenance | 192,610 | 783,747 | 149,978 | 54,870 | 17,148 | 1,198,353 | 51,404 | - | 51,404 | 1,249,757 | 3,426,018 |
| Utilities | 233,367 | 77,436 | 67,717 | 42,088 | 21,906 | 442,514 | 56,580 | - | 56,580 | 499,094 | 511,569 |
| Telephone | 134,976 | 286,284 | 355,180 | 227,970 | 5,195 | 1,009,605 | 186,080 | 4,166 | 190,246 | 1,199,851 | 1,398,199 |
| Depreciation and amortization | 417,933 | 153,114 | 5,105 | - | 158,489 | 734,641 | 1,662,155 | - | 1,662,155 | 2,396,796 | 1,818,063 |
| Insurance | 323,046 | 540,849 | 741,133 | 193,547 | 18,376 | 1,816,951 | 349,801 | 3,971 | 353,772 | 2,170,723 | 1,800,447 |
| Professional fees | 261,393 | 655,127 | 99,842 | 196,199 | 337,246 | 1,549,807 | 4,096,325 | 555,990 | 4,652,315 | 6,202,122 | 5,624,668 |
| Rent | 58,535 | 983,314 | 2,611,333 | 12,421,222 | 33,700 | 16,108,104 | 405,383 | - | 405,383 | 16,513,487 | 7,393,738 |
| Purchased services | - | 7,259,587 | 146,494,254 | 729,041 | 259,407 | 154,742,289 | 13,850 | - | 13,850 | 154,756,139 | 151,880,150 |
| Client related | 152,419 | 1,336,143 | 4,421,042 | 12,829,364 | 28,088 | 18,767,056 | 31 | - | 31 | 18,767,087 | 14,469,375 |
| Miscellaneous | 77,969 | 815,384 | 121,452 | 472,076 | 564,602 | 2,051,483 | 473,344 | 65,987 | 539,331 | 2,590,814 | 1,719,478 |
| Total operating expenses | \$ 10,753,235 | 28,660,289 | 175,818,898 | 106,651,309 | 1,887,262 | 323,770,993 | 22,901,815 | 1,710,796 | 24,612,611 | 348,383,604 | 285,112,274 |
| | 3.1% | 8.2% | 50.5% | 30.6% | 0.5% | 92.9% | 6.6% | 0.5% | 7.1% | 100.0% | |

See accompanying independent auditors' report and notes to consolidated financial statements.

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

| | 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 | \$ 6,767,310 | 13,710,397 | 15,703,904 | 40,422,557 | 276,688 | 76,880,856 | 8,452,485 | 630,575 | 9,083,060 | 85,963,916 |
| Employee related | 52,193 | 69,741 | 102,775 | 57,894 | 27,805 | 310,408 | 35,945 | 25,070 | 61,015 | 371,423 |
| Training | 15,688 | 244,432 | 12,257 | 123,710 | 8,716 | 404,803 | 98,130 | 2,321 | 100,451 | 505,254 |
| Supplies and materials | 159,506 | 577,634 | 403,858 | 1,532,777 | 56,595 | 2,730,370 | 229,246 | 145,673 | 374,919 | 3,105,289 |
| Food | 355,388 | 50,731 | 4,222 | 6,200 | 104 | 416,645 | 21 | - | 21 | 416,666 |
| Technology | 26,356 | 232,166 | 536,262 | 751,544 | 217,815 | 1,764,143 | 814,422 | 44,508 | 858,930 | 2,623,073 |
| Travel | 25,480 | 916,528 | 275,266 | 300,392 | 16,519 | 1,534,185 | 249,703 | 7,974 | 257,677 | 1,791,862 |
| Vehicle | 71,702 | 178,003 | 19,232 | 24 | 4,546 | 273,507 | 12,715 | 6,864 | 19,579 | 293,086 |
| Repairs and maintenance | 166,112 | 2,990,181 | 143,909 | 40,982 | 15,408 | 3,356,592 | 69,426 | - | 69,426 | 3,426,018 |
| Utilities | 208,246 | 81,912 | 76,556 | 37,893 | 28,876 | 433,483 | 78,086 | - | 78,086 | 511,569 |
| Telephone | 111,142 | 317,142 | 435,340 | 221,830 | 18,203 | 1,103,657 | 292,791 | 1,751 | 294,542 | 1,398,199 |
| Depreciation and amortization | 405,925 | 171,263 | 2,822 | - | 160,385 | 740,395 | 1,077,668 | - | 1,077,668 | 1,818,063 |
| Insurance | 259,852 | 494,080 | 627,242 | 163,295 | 23,765 | 1,568,234 | 229,957 | 2,256 | 232,213 | 1,800,447 |
| Professional fees | 69,779 | 729,056 | 123,312 | 338,484 | 367,683 | 1,628,314 | 3,556,437 | 439,917 | 3,996,354 | 5,624,668 |
| Rent | 86,000 | 949,977 | 2,537,315 | 3,483,322 | 108,770 | 7,165,384 | 228,313 | 41 | 228,354 | 7,393,738 |
| Purchased services | - | 6,150,152 | 144,528,900 | 544,278 | 621,190 | 151,844,520 | 35,630 | - | 35,630 | 151,880,150 |
| Client related | 116,135 | 1,242,495 | 4,429,719 | 8,636,689 | 41,523 | 14,466,561 | 2,814 | - | 2,814 | 14,469,375 |
| Miscellaneous | 66,058 | 572,487 | 124,249 | 306,078 | 299,032 | 1,367,904 | 335,646 | 15,928 | 351,574 | 1,719,478 |
| Total operating expenses | \$ 8,962,872 | 29,678,377 | 170,087,140 | 56,967,949 | 2,293,623 | 267,989,961 | 15,799,435 | 1,322,878 | 17,122,313 | 285,112,274 |
| | 3.1% | 10.4% | 59.7% | 20.0% | 0.8% | 94.0% | 5.5% | 0.5% | 6.0% | 100.0% |

See accompanying independent auditors' report and notes to consolidated financial statements.

ECKERD CONNECTS

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

| | 2021 | 2020 |
|---|---------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 12,792,602 | 1,436,347 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,396,796 | 1,818,063 |
| Unrealized and realized gains on investments | (1,279,717) | (321,699) |
| Gain on sale of property and equipment | (83,722) | (67,869) |
| Change in value of beneficial interest in perpetual trusts | (6,333,544) | 678,702 |
| (Increase) decrease in assets: | | |
| Accounts and contributions receivable | 2,087,151 | 1,304,587 |
| Prepaid expenses | 343,320 | (614,314) |
| Other assets | (176,342) | (82,198) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 5,862,034 | 1,389,938 |
| Deferred revenue | 221,227 | 412,790 |
| Obligation under earnout provision | (2,535,433) | - |
| Net cash provided by operating activities | 13,294,372 | 5,954,347 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,740,425) | (444,176) |
| Proceeds from the sale of property and equipment | 106,133 | 159,050 |
| Purchases of investments | (2,819,672) | (5,899,922) |
| Proceeds from the sale of investments | 2,564,926 | 3,163,025 |
| Cash paid for acquisition of subsidiary | - | (7,182,292) |
| Net cash used in investing activities | (1,889,038) | (10,204,315) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | - | 7,500,000 |
| Payments under short-term note payable | - | (1,650,000) |
| Principal payments on long-term debt | (977,003) | (960,495) |
| Principal payments on capital lease obligations | (221,770) | (201,222) |
| Net cash provided by (used in) financing activities | (1,198,773) | 4,688,283 |
| Net increase in cash, cash equivalents, and restricted cash | 10,206,561 | 438,315 |
| Cash, cash equivalents, and restricted cash at beginning of year | 11,858,034 | 11,419,719 |
| Cash, cash equivalents, and restricted cash at end of year | \$ 22,064,595 | 11,858,034 |
| Cash, cash equivalents and restricted cash consist of: | | |
| Cash and cash equivalents | \$ 20,571,856 | 10,464,339 |
| Restricted cash | 1,492,739 | 1,393,695 |
| | \$ 22,064,595 | 11,858,034 |
| Supplemental disclosures of cash flow information: | | |
| Assets acquired under capital lease | \$ 347,687 | 310,120 |
| Noncash consideration in acquisition of subsidiary | \$ - | 6,139,832 |
| Cash paid for interest | \$ 262,144 | 155,977 |

See accompanying independent auditors' report and notes to consolidated financial statements.

ECKERD CONNECTS

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(1) Description of Organization and Nature of Activities

Eckerd Connects (the “Organization”) is one of the largest nonprofit child, young adult 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, young adults and families every year.

The Organization’s mission to provide and share solutions that promote the well-being of children, young adults 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.

Effective August 31, 2014, Eckerd Connects was named the sole member of Caring for Children, Inc. (“Caring for Children”), a non-profit organization providing 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 in Georgia. 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 Consolidated Financial Statements - Continued

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

(a) **Principles of Consolidation**

The consolidated 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 consolidation.

(b) **Basis of Presentation**

The accompanying consolidated 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 Consolidated 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, 2021 and 2020, an allowance for doubtful accounts has not been established as management believes that all amounts are collectible.

(f) Contributions

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions class.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. The Organization received cost-reimbursable grants of approximately \$4,602,000 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(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 consolidated 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 was stated at the unpaid principal balance as of June 30, 2020. 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. In 2021, the note was paid in full.

(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 consist of timber rights for property owned in North Carolina, customer relationships acquired in connection with the Henkels & McCoy asset contribution agreement described in Note 1 and the following intangible assets acquired in connection with the purchase of 100% of the membership interest in Odle in 2020: a non-competition covenant, customer contracts, internal use software, and their tradename.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(k) Other Intangible Assets - Continued

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 \$1,310,607 and \$592,808 for the years ended June 30, 2021 and 2020, 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 2022; \$1,304,384 in 2023; \$1,236,439 in 2024; \$844,706 in 2025; \$283,239 in 2026 and \$1,563,454 thereafter.

The gross carrying amounts and accumulated amortization of other intangibles as of June 30, 2021 and 2020 are as follows:

| | 2021 | | 2020 | |
|---------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Timber rights | \$ 132,549 | 43,080 | 132,549 | 36,452 |
| Customer relationships | 3,409,178 | 1,193,217 | 3,409,178 | 965,940 |
| Non-competition agreement | 666,000 | 222,000 | 666,000 | 55,500 |
| Customer contracts | 4,211,000 | 1,122,933 | 4,211,000 | 280,734 |
| Proprietary software | 56,000 | 24,890 | 56,000 | 6,222 |
| Tradename | 740,000 | 65,779 | 740,000 | 16,444 |
| Total | \$ 9,214,727 | 2,671,899 | 9,214,727 | 1,361,292 |

(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, 2018 and thereafter.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(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 consolidated 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 Consolidated 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.

(o) Revenue Recognition

The Organization provides children, young adult and family welfare services paid for by clients or certain third-party payers (including health insurers and government programs). Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing welfare services. Fees for welfare services are recognized over time when the services are provided based on standard charges, net of any contractual adjustments under insurance contracts. Welfare services are billed monthly and amounts collected in advance are recorded as deferred revenue. Additionally, the Organization contracts with various funding agencies to provide transitional, residential and community-based juvenile justice services under vendor agreements. Juvenile justice service revenue is recognized over time when the Organization operates juvenile justice facilities based on contracted fixed daily rates. Revenue for other unit-based reimbursement contracts for juvenile justice services are recognized as services are provided.

(p) Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2021 and 2020, was approximately \$600,000 and \$370,000, respectively.

(q) Estimates

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(r) 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 consolidated financial statements are available to be issued. Management's assessment did not indicate that substantial doubt is raised about the ability to remain a going concern for one year from the date the consolidated financial statements were available for issuance.

(s) Recent Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Additionally, the guidance requires disclosures related to the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU No. 2015-14 which deferred the provisions of ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. In June 2020, the FASB issued ASU No. 2021-05, which deferred the effective date for all entities that had not yet adopted Topic 606 to annual reporting periods beginning after December 15, 2020. On July 1, 2020 the Organization adopted ASC Topic 606 using the modified retrospective approach. In connection with adoption, the Organization determined that no transition adjustment was necessary as of July 1, 2020 after the application of the standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that had not yet adopted Topic 842 to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

(t) Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform with the 2021 presentation.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(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, 2021, NFY provided total support to Eckerd Connects in the amount of \$2,450,186 and contributions receivable at June 30, 2021 totaled \$679,373 which is expected to be collected in fiscal 2022. 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 was collected in fiscal 2021.

(4) Investments

Investments are recorded at fair value and consist of the following at June 30, 2021 and 2020:

| | 2021 | | 2020 | |
|--|--------------|------------|-----------|-----------|
| | Cost | Market | Cost | Market |
| Money market funds | \$ 1,158,287 | 1,158,287 | 2,252,967 | 2,252,967 |
| U.S. government and agency obligations | 2,486,185 | 2,026,102 | 1,407,530 | 1,472,731 |
| Corporate bonds | 805,409 | 1,084,986 | 805,409 | 872,315 |
| Common stock - domestic | 3,478,353 | 5,678,141 | 3,005,866 | 3,996,234 |
| Common stock - international | 325,538 | 412,570 | 209,252 | 231,376 |
| | \$ 8,253,772 | 10,360,086 | 7,681,024 | 8,825,623 |

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.

The following schedule summarizes investment return for the years ended June 30, 2021 and 2020:

| | 2021 | 2020 |
|--|--------------|----------|
| Interest and dividend income - investments | \$ 326,021 | 238,222 |
| Investment fees | (67,182) | (50,166) |
| Net realized and unrealized gains | 1,279,717 | 321,699 |
| | \$ 1,538,556 | 509,755 |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(5) Note Receivable

The Organization had one mortgage note receivable from the sale of property in 2010 from a commercial business which bore interest at 5.5%. At June 30, 2020, the note was in default with a balance of \$1,162,816 and was classified as a non-current asset since the underlying collateral, if called, would have been classified as a non-current asset. In fiscal 2021, the note was called and the Organization collected the remaining balance on the note.

(6) Property and Equipment

Property and equipment at June 30, 2021 and 2020 is summarized as follows:

| | <u>Estimated Life</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------|-----------------------|---------------------|---------------------|
| Land | | \$ 2,242,616 | 1,362,922 |
| Building and improvements | 10 - 34 years | 13,072,085 | 13,157,924 |
| Furniture and equipment | 3 - 10 years | 5,127,445 | 4,847,239 |
| Transportation equipment | 4 - 5 years | 1,948,262 | 1,686,854 |
| Construction in progress | | 441,483 | 287,634 |
| Total | | 22,831,891 | 21,342,573 |
| Less accumulated depreciation | | <u>(16,033,334)</u> | <u>(15,523,528)</u> |
| Net property and equipment | | <u>\$ 6,798,557</u> | <u>5,819,045</u> |

Depreciation expense for fiscal 2021 and 2020 was \$1,086,189 and \$1,225,255, respectively.

(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, 2021 and 2020 was \$32,820,174 and \$26,486,630, 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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) Fair Value Measurement - Continued

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, 2021.

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 consolidated 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.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2021 was as follows:

| | Total Fair Value | <u>Fair Value Measurements at Reporting Date Using</u> | | |
|--|----------------------|--|----------------|-------------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| As of June 30, 2021: | | | | |
| Assets: | | | | |
| Money market funds | \$ 1,158,287 | 1,158,287 | - | - |
| Equities: | | | | |
| Healthcare | 969,375 | 969,375 | - | - |
| Consumer staples | 343,718 | 343,718 | - | - |
| Information technology | 1,341,389 | 1,341,389 | - | - |
| Consumer discretionary | 597,717 | 597,717 | - | - |
| Industrials | 1,008,141 | 1,008,141 | - | - |
| Materials | 93,389 | 93,389 | - | - |
| Financials | 884,935 | 884,935 | - | - |
| Telecommunication | 578,479 | 578,479 | - | - |
| Utilities | 170,257 | 170,257 | - | - |
| Energy | 91,974 | 91,974 | - | - |
| Real estate | 11,337 | 11,337 | - | - |
| Fixed income: | | | | |
| Corporate bonds | 1,084,986 | 1,084,986 | - | - |
| US government and agency obligations | 2,026,102 | 2,026,102 | - | - |
| Total investments | 10,360,086 | 10,360,086 | - | - |
| Beneficial interest in perpetual trust | 32,820,174 | - | - | 32,820,174 |
| | <u>\$ 43,180,260</u> | <u>10,360,086</u> | <u>-</u> | <u>32,820,174</u> |
| Liabilities: | | | | |
| Obligation under earnout provision | \$ 2,839,567 | - | - | 2,839,567 |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) Fair Value Measurement - Continued

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

| | Total Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---|----------------------|---|----------|-------------------|
| | | Level 1 | Level 2 | Level 3 |
| As of June 30, 2020: | | | | |
| Assets: | | | | |
| Money market funds | \$ 2,252,967 | 2,252,967 | - | - |
| Equities: | | | | |
| Healthcare | 745,974 | 745,974 | - | - |
| Consumer staples | 255,258 | 255,258 | - | - |
| Information technology | 1,019,405 | 1,019,405 | - | - |
| Consumer discretionary | 436,537 | 436,537 | - | - |
| Industrials | 607,453 | 607,453 | - | - |
| Materials | 63,488 | 63,488 | - | - |
| Financials | 568,748 | 568,748 | - | - |
| Telecommunication | 332,177 | 332,177 | - | - |
| Utilities | 129,256 | 129,256 | - | - |
| Energy | 62,513 | 62,513 | - | - |
| Real estate | 6,801 | 6,801 | - | - |
| Fixed income: | | | | |
| Corporate bonds | 872,315 | 872,315 | - | - |
| US government and agency obligations | 1,472,731 | 1,472,731 | - | - |
| 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 |

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, 2021 and 2020:

| | 2021 | 2020 |
|---|----------------------|-------------------|
| Beginning balance | \$ 26,486,630 | 27,165,332 |
| Change in value of beneficial interest in perpetual trusts | 6,333,544 | (678,702) |
| Ending balance | <u>\$ 32,820,174</u> | <u>26,486,630</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 19.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(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 (2.35% at June 30, 2021). There was no outstanding balance at June 30, 2021 and 2020. The amount which can be borrowed under the short-term borrowing arrangement was \$ 2,741,043 and \$2,765,423 as of June 30, 2021 and 2020, respectively.

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% (1.44% at June 30, 2021) 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, 2021. There was no outstanding balance on the line of credit as of June 30, 2021 or 2020.

Odle also had a revolving line of credit (the "Odle line") for \$5 million with BBVA USA Bank which matured on July 3, 2021. The Odle line was renewed through July 3, 2022 subsequent to year end. The Odle line bears interest at LIBOR plus 1.5% (1.59% at June 30, 2021). There was no outstanding balance on the Odle line at June 30, 2021 or 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 \$758,957 and \$734,577 as of June 30, 2021 and 2020, 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.

(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, 2021 and 2020 was approximately \$3,895,000 and \$3,939,000, 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 2026. 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, 2021 and 2020 were as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|------------------|
| Equipment | \$ 1,316,987 | 1,123,471 |
| Less accumulated amortization | <u>(837,333)</u> | <u>(802,082)</u> |
| | <u>\$ 479,654</u> | <u>321,389</u> |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(10) Leases - Continued

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, 2021 are as follows:

| <u>Year Ending June 30,</u> | <u>Capital Leases</u> | <u>Operating Leases</u> | <u>Total</u> |
|--|---------------------------|-----------------------------|------------------|
| 2022 | \$ 176,919 | 3,277,335 | 3,454,254 |
| 2023 | 155,743 | 2,750,056 | 2,905,799 |
| 2024 | 139,433 | 2,144,309 | 2,283,742 |
| 2025 | 88,607 | 1,052,553 | 1,141,160 |
| 2026 | 26,222 | - | 26,222 |
| Total minimum lease payments | 586,924 | <u>9,224,253</u> | <u>9,811,177</u> |
| Less amount representing interest | <u>(39,617)</u> | | |
| Present value of lease payments | 547,307 | | |
| Current portion of capital lease obligations | <u>159,027</u> | | |
| Capital lease obligations, less current portion | <u>\$ 388,280</u> | | |

(11) Long Term Debt

Long term debt consists of the following at June 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|------------------|
| 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. | \$ <u>6,210,285</u> | <u>7,187,288</u> |
| Total long term debt | 6,210,285 | 7,187,288 |
| Less current installments | <u>1,010,330</u> | <u>975,630</u> |
| Long-term debt, excluding current installments | <u>\$ 5,199,955</u> | <u>6,211,658</u> |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(11) Long Term Debt - Continued

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, 2021.

The aggregate maturities of long-term debt for each of the five years subsequent to June 30, 2021, and thereafter, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2022 | \$ 1,010,330 |
| 2023 | 1,046,265 |
| 2024 | 1,083,477 |
| 2025 | 1,122,013 |
| 2026 | 1,161,920 |
| Thereafter | <u>786,280</u> |
| | <u>\$ 6,210,285</u> |

(12) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2021 and 2020 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|-------------------|
| Subject to use restrictions: | | |
| Adoption and foster care | \$ 104,315 | 90,068 |
| Employee wellness | - | 8,377 |
| Program operations | 1,065,471 | 1,106,659 |
| Success awards - scholarships | <u>461,277</u> | <u>459,811</u> |
| | 1,631,063 | 1,664,915 |
| Beneficial interest in perpetual trusts held by third parties: | | |
| National Foundation for Youth | 28,711,396 | 23,039,319 |
| Richard J. Ross Trust | <u>4,108,778</u> | <u>3,447,311</u> |
| | <u>32,820,174</u> | <u>26,486,630</u> |
| | <u>\$ 34,451,237</u> | <u>28,151,545</u> |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(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.

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, 2021 and 2020 were as follows:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total Endowment Net Assets |
|---|--|---|---|
| June 30, 2021: | | | |
| Board-designated endowment | \$ 10,406,665 | - | 10,406,665 |
| Beneficial interest in perpetual trusts | - | 32,820,174 | 32,820,174 |
| | \$ 10,406,665 | 32,820,174 | 43,226,839 |
| 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 |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(13) Endowment Funds - Continued

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were as follows:

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total Endowment Net Assets |
|---|--|---|----------------------------------|
| 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 |
| Net investment income | 258,839 | - | 258,839 |
| Net appreciation | 1,279,717 | - | 1,279,717 |
| Deposits | 9,066 | - | 9,066 |
| Withdrawals | (4,093) | - | (4,093) |
| Change in value of beneficial interest in perpetual trusts | - | 6,333,544 | 6,333,544 |
| Balances at June 30, 2021 | \$ <u>10,406,665</u> | <u>32,820,174</u> | <u>43,226,839</u> |

(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. Effective July 1, 2019, the Organization provided a 50% match on the employee's contribution up to 10% for a maximum match amount of 5%. The employer contributions for 2021 and 2020 totaled \$899,100 and \$836,900, respectively.

ECKERD CONNECTS

Notes to Consolidated 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, 2021 and 2020 was \$58,989 and \$49,697, respectively. The liability under the SERP as of June 30, 2021 was \$58,989. The liability under the SERP as of June 30, 2020 was \$49,697, of which all was paid to an executive in fiscal 2021.

(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 \$200,000 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, 2021 and 2020, accrued estimated health insurance expense was approximately \$1,215,000 and \$1,315,000, respectively. For the years ended June 30, 2021 and 2020, estimated health insurance expense was \$9,381,603 and \$8,708,854, 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 \$200,000 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 Consolidated 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, 2020, a letter of credit in the amount of \$584,577 was issued to the Captive’s creditor as collateral for the payment of future claims. Effective April 2021, the letter of credit was increased to \$608,957. 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, 2021 and 2020, the estimated accrued workers’ compensation claims due under those 2017 policies was approximately \$0 and \$116,000, respectively, based on management’s estimate that all claims have been fully paid and will remain closed. At June 30, 2021 and 2020, a letter of credit has been issued for the benefit of this insurance carrier in the amount of \$150,000 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 2021 and 2020 workers’ compensation programs may differ from these estimates.

Total workers’ compensation expense for the years ended June 30, 2021 and 2020 was \$533,261 and \$621,076, 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, 2021 and 2020, Eckerd Connects paid the insurer approximately \$363,000 and \$266,000 in claims deposits, respectively, and anticipates a nominal adjustment once actual wages have been audited and actual claims experience is determined. During fiscal 2021 and 2020, there were no amounts paid by Eckerd Connects for prior premium adjustments due to increasing wages during fiscal 2021 or 2020. 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 Consolidated 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 consolidated financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying consolidated 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, 2021 and 2020, 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, 2021, cash balances held by Eckerd Connects and its affiliates exceeded FDIC limits by approximately \$16.7 million.

(18) Related Party Transactions

Eckerd Connects received contributions totaling \$1,113,420 and \$576,243 from Board members during the years ended June 30, 2021 and 2020, 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 for the year ended June 30, 2021 and for the period from March 1, 2020 through June 30, 2020 are included in the consolidated statements of activities for the years ended June 30, 2021 and 2020, respectively. 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 Consolidated 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) |
| | | <hr/> |
| | \$ | <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 2021, 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 consolidated 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 Consolidated 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, 2021 and 2020, the Organization's financial assets available to meet general expenditures within one year were as follows:

| | 2021 | 2020 |
|--|---------------|--------------|
| Financial assets: | | |
| Cash, cash equivalents and restricted cash | \$ 22,064,595 | 11,858,034 |
| Accounts receivable | 27,652,563 | 28,489,511 |
| Contributions receivable | 679,373 | 766,760 |
| Investments | 10,360,086 | 8,825,623 |
| Note receivable | - | 1,162,816 |
| Beneficial interest in perpetual trusts | 32,820,174 | 26,486,630 |
| Total financial assets | 93,576,791 | 77,589,374 |
| Less amounts unavailable for general expenditure within one year due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Long-term note receivable | - | (1,162,816) |
| Cash for the benefit of Eckerd Connects' clients | (1,492,739) | (1,393,695) |
| Donor restricted for specific purposes | (1,631,063) | (1,664,915) |
| Beneficial interest in perpetual trusts | (32,820,174) | (26,486,630) |
| Board-designations: | | |
| Quasi-endowment | (10,406,665) | (8,863,136) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 47,226,150 | 38,018,182 |

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(22) Subsequent Events and Management's Review

Management has evaluated subsequent events for potential recognition or disclosure through December 21, 2021, the date the consolidated financial statements were available to be issued.

Working in partnership with the Florida Department of Children and Families (DCF), Eckerd Community Alternatives (ECA) will transition the Lead Agency contract for Pinellas and Pasco Counties to a new provider effective January 1, 2022; the annual revenue related to this contract was approximately \$93 million for the fiscal year ended June 30, 2021. Further, Eckerd Connects will not re-procure ECA Lead Agency services in Hillsborough County, Florida, therefore, this contract will expire effective June 30, 2022; the expiring contract was worth approximately \$88 million in annual revenue for the fiscal year ended June 30, 2021. Finally, on November 4, 2021, the Pinellas County Sheriff announced an investigation of child protection incidents in Pinellas and Pasco Counties to coincide with the ECA contract transition; the Sherriff has not provided any updates related to this investigation since November 4, 2021. Annual Eckerd Connects operating revenue will be approximately \$171 million following expiration of ECA Lead Agency contracts in Pasco, Pinellas, and Hillsborough Counties; as noted in the accompanying consolidated financial statements, the overall organization remains financially strong.

SUPPLEMENTARY FINANCIAL INFORMATION

ECKERD CONNECTS

Consolidating Statement of Financial Position

June 30, 2021

| Assets | Eckerd Connects | Paxen, LLC | Caring for Children, Inc. | Odle Management Group, LLC | Eliminations | Consolidated Total |
|---|-----------------------|------------------|------------------------------|----------------------------------|---------------------|-----------------------|
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 13,095,266 | 991,291 | 920,090 | 5,565,209 | - | 20,571,856 |
| Restricted cash | 1,492,739 | - | - | - | - | 1,492,739 |
| Accounts receivable | 17,540,302 | 646,566 | 286,562 | 9,179,133 | - | 27,652,563 |
| Intercompany receivable | (737,242) | 836,685 | (99,443) | - | - | - |
| Contributions receivable | 679,373 | - | - | - | - | 679,373 |
| Other current assets | 679,145 | 14,516 | 419 | 637,979 | - | 1,332,059 |
| Total current assets | 32,749,583 | 2,489,058 | 1,107,628 | 15,382,321 | - | 51,728,590 |
| Investments | 10,360,086 | - | - | - | - | 10,360,086 |
| Investments in subsidiaries | 13,144,522 | - | - | - | (13,144,522) | - |
| Other assets | 774,335 | 5,290 | 49,298 | 61,774 | - | 890,697 |
| Property and equipment, net | 6,798,557 | - | - | - | - | 6,798,557 |
| Goodwill | 1,950,964 | 909,293 | - | - | - | 2,860,257 |
| Other intangible assets | 6,542,828 | - | - | - | - | 6,542,828 |
| Beneficial interest in perpetual trusts | 32,820,174 | - | - | - | - | 32,820,174 |
| Total assets | \$ 105,141,049 | 3,403,641 | 1,156,926 | 15,444,095 | (13,144,522) | 112,001,189 |
| Liabilities and Net Assets | | | | | | |
| Current liabilities: | | | | | | |
| Current installments of capital lease obligations | \$ 159,027 | - | - | - | - | 159,027 |
| Current installments of long-term debt | 1,010,330 | - | - | - | - | 1,010,330 |
| Accounts payable and accrued expenses | 20,964,131 | 115,809 | 50,794 | 5,587,405 | - | 26,718,139 |
| Accrued pension expenses | 1,044,505 | - | - | - | - | 1,044,505 |
| Deferred revenue | 634,017 | - | - | - | - | 634,017 |
| Current installments under earnout liability | 2,839,567 | - | - | - | - | 2,839,567 |
| Total current liabilities | 26,651,577 | 115,809 | 50,794 | 5,587,405 | - | 32,405,585 |
| Capital lease obligations, less current portion | 388,280 | - | - | - | - | 388,280 |
| Long-term debt, excluding current installments | 5,199,955 | - | - | - | - | 5,199,955 |
| Total liabilities | 32,239,812 | 115,809 | 50,794 | 5,587,405 | - | 37,993,820 |
| Net assets: | | | | | | |
| Without donor restrictions: | | | | | | |
| Undesignated | 28,183,328 | 3,285,517 | 968,454 | 9,856,690 | (13,144,522) | 29,149,467 |
| Designated for long-term purposes | 10,360,086 | - | 46,579 | - | - | 10,406,665 |
| With donor restrictions | 34,357,823 | 2,315 | 91,099 | - | - | 34,451,237 |
| Total net assets | 72,901,237 | 3,287,832 | 1,106,132 | 9,856,690 | (13,144,522) | 74,007,369 |
| Total liabilities and net assets | \$ 105,141,049 | 3,403,641 | 1,156,926 | 15,444,095 | (13,144,522) | 112,001,189 |

See accompanying independent auditors' report.

ECKERD CONNECTS

Consolidating Statement of Activities

Year Ended June 30, 2021

| | <u>Eckerd Connects</u> | <u>Paxen, LLC</u> | <u>Caring for Children, Inc.</u> | <u>Odle Management Group, LLC</u> | <u>Eliminations</u> | <u>Consolidated Total</u> |
|--|----------------------------|-------------------|--------------------------------------|---|---------------------|-------------------------------|
| Net assets without donor restrictions: | | | | | | |
| Operating support and revenue: | | | | | | |
| Program revenues: | | | | | | |
| Funding contracts | \$ 257,799,131 | 2,611,439 | 1,269,455 | 85,362,759 | - | 347,042,784 |
| Medicaid and third party insurance | 175,351 | - | 615,629 | - | - | 790,980 |
| Contributions | 4,157,854 | - | 101 | 3,000 | - | 4,160,955 |
| Interest and dividends, net of fees | 254,746 | - | - | 4,093 | - | 258,839 |
| Other revenue | 556,160 | - | 9,388 | - | (274,520) | 291,028 |
| Net assets released from restriction | 922,946 | - | 45,543 | - | - | 968,489 |
| | <u>263,866,188</u> | <u>2,611,439</u> | <u>1,940,116</u> | <u>85,369,852</u> | <u>(274,520)</u> | <u>353,513,075</u> |
| Operating expenses | <u>262,192,645</u> | <u>2,869,821</u> | <u>2,046,715</u> | <u>81,548,943</u> | <u>(274,520)</u> | <u>348,383,604</u> |
| Change in net assets without donor restrictions from operations | 1,673,543 | (258,382) | (106,599) | 3,820,909 | - | 5,129,471 |
| Other changes in net assets without donor restrictions: | | | | | | |
| Unrealized and realized gains on investments | 1,279,717 | - | - | - | - | 1,279,717 |
| Equity in earnings of subsidiaries | 3,564,842 | - | - | - | (3,564,842) | - |
| Distributions paid to affiliate | - | - | - | (947,971) | 947,971 | - |
| Gain on sale of property and equipment | 69,018 | - | 14,704 | - | - | 83,722 |
| Change in net assets without donor restrictions | 6,587,120 | (258,382) | (91,895) | 2,872,938 | (2,616,871) | 6,492,910 |
| Net assets with donor restrictions: | | | | | | |
| Grants and contributions | 795,680 | 2,315 | 136,642 | - | - | 934,637 |
| Net assets released from restriction | (922,946) | - | (45,543) | - | - | (968,489) |
| Change in value of beneficial interest in perpetual trusts | 6,333,544 | - | - | - | - | 6,333,544 |
| Change in net assets with donor restrictions | <u>6,206,278</u> | <u>2,315</u> | <u>91,099</u> | <u>-</u> | <u>-</u> | <u>6,299,692</u> |
| Change in net assets | <u>\$ 12,793,398</u> | <u>(256,067)</u> | <u>(796)</u> | <u>2,872,938</u> | <u>(2,616,871)</u> | <u>12,792,602</u> |

See accompanying independent auditors' report.

ECKERD CONNECTS

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2021

| Federal Agency Pass-through Entity/ Federal Program/State Project | Federal Assistance Listing Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|--|--|------------------------------|--------------|----------------------------------|
| Eckerd Connects: | | | | |
| <i>U.S. Department of Agriculture:</i> | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| School Breakfast Program: | 10.553 | | | |
| Passed through from State of Florida Department of Education | | 01-0112 | \$ 17,906 | - |
| Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition | | 1142 | 56,179 | - |
| Total National School Breakfast Program | | | 74,085 | - |
| National School Lunch Program: | 10.555 | | | |
| Passed through from State of Florida Department of Education | | 01-0112 | 33,512 | - |
| Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition | | 1142 | 112,455 | - |
| Total National School Lunch Program | | | 145,967 | - |
| Total Child Nutrition Cluster | | | 220,052 | - |
| Emergency Food Assistance Program (Food Commodities): | 10.569 | | | |
| Passed through from State of Florida Department of Agriculture and Consumer Services | | 01-0112 | 13,182 | - |
| Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition | | 1142 | 13,202 | - |
| Total Emergency Food Assistance Program (Food Commodities) | | | 26,384 | - |
| Total U.S. Department of Agriculture | | | 246,436 | - |
| <i>U.S. Department of Education:</i> | | | | |
| E-Rate: | 84.000 | n/a | | |
| Passed through from Universal Service Administrative Company | | | 45,552 | - |
| Total E-Rate | | | 45,552 | - |
| Title I State Agency Program for Neglected and Delinquent Children and Youth: | 84.013 | | | |
| Passed through from State of North Carolina Department of Public Safety | | DPS-22415849-WCC | 5,005 | - |
| Total Title I State Agency Program for Neglected and Delinquent Children and Youth | | | 5,005 | - |
| Total U.S. Department of Education | | | 50,557 | - |
| <i>U.S. Department of Health and Human Services:</i> | | | | |
| Guardianship Assistance: | 93.090 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 40,622 | - |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 32,523 | - |
| Total Guardianship Assistance | | | 73,145 | - |
| Promoting Safe and Stable Families: | 93.556 | | | |
| Passed through from Brevard Family Partnership | | SVP1501 | 219,664 | - |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 1,894,199 | 1,881,519 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 1,543,750 | 1,368,076 |
| Total Promoting Safe and Stable Families | | | 3,657,613 | 3,249,595 |

(Continued)

ECKERD CONNECTS

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

| Federal Agency Pass-through Entity/ Federal Program/State Project | Federal Assistance Listing Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|---|--|------------------------------|--------------|----------------------------------|
| <i>TANF Cluster:</i> | | | | |
| Temporary Assistance for Needy Families: | 93.558 | | | |
| Passed through from Delaware County Workforce Development Board | | ECK-026-19YT | 61,040 | - |
| Passed through from Delaware County Workforce Development Board | | ECK-028-19YT | 68,256 | - |
| Passed through from State of Kansas Department for Children and Families | | PPS-2019-CPA-EYA-8 | 622,294 | - |
| Passed through State of Ohio Franklin County Department of Job and Family Services | | 25-19-3279 | 299,920 | - |
| Passed through State of Ohio Franklin County Department of Job and Family Services | | 25-19-3279 | 552,615 | - |
| Passed through from CareerSource Flager Volusia | | PY 2020-21 VOL | 354,500 | - |
| Passed through from State of California, County of San Luis Obispo | | C009 - 2020 | 158,141 | - |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 5,207,037 | 3,350,378 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 5,577,301 | 2,338,968 |
| Total Temporary Assistance for Needy Families and TANF Cluster | | | 12,901,104 | 5,689,346 |
| Grants to States for Access and Visitation Programs: | 93.597 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 40,653 | 40,653 |
| Passed through from Brevard Family Partnership | | SVP1501 | 8,799 | - |
| Total Grants to States for Access and Visitation Programs | | | 49,452 | 40,653 |
| Chafee Education and Training Vouchers Program (ETV): | 93.599 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 59,088 | - |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 123,151 | - |
| Total Chafee Education and Training Vouchers Program (ETV) | | | 182,239 | - |
| Head Start: | 93.600 | | | |
| Direct federal award from U.S. Department of Health and Human Services | | 04HP000169-03 | 1,430,194 | - |
| Direct federal award from U.S. Department of Health and Human Services | | 04HP000169-02 | 4,463,035 | - |
| Direct federal award from U.S. Department of Health and Human Services | | 04HP000404-02 | 1,030,120 | - |
| Direct federal award from U.S. Department of Health and Human Services | | 04HP000404-01 | 442,519 | - |
| Total Head Start | | | 7,365,868 | - |
| Stephanie Tubbs Jones Child Welfare Services Program: | 93.645 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 454,524 | 290,123 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 383,156 | 157,740 |
| Passed through from State of Kansas Department for Children and Families | | PPS-2019-CPA-EYA-8 | 3,640 | - |
| Total Stephanie Tubbs Jones Child Welfare Services Program | | | 841,320 | 447,863 |
| Foster Care Title IV-E: | 93.658 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 16,716,654 | 9,603,711 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 16,248,717 | 7,868,867 |
| Passed through from State of Kansas Department for Children and Families | | PPS-2019-CPA-EYA-8 | 490,218 | - |
| Total Foster Care Title IV-E | | | 33,455,589 | 17,472,578 |
| Adoption Assistance: | 93.659 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 13,200,836 | 423,308 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 13,735,111 | 230,363 |
| Passed through from State of Kansas Department for Children and Families | | PPS-2019-CPA-EYA-8 | 4,969 | - |
| Total Adoption Assistance | | | 26,940,916 | 653,671 |
| Social Services Block Grant: | 93.667 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 2,926,843 | 898,887 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 5,936,598 | 1,977,805 |
| Total Social Services Block Grant | | | 8,863,441 | 2,876,692 |
| Child Abuse and Neglect State Grants: | 93.669 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 57,782 | 35,736 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 65,095 | 25,849 |
| Passed through from State of Florida Department of Children and Families | | QJ003 | 328,240 | - |
| Total Child Abuse and Neglect State Grants | | | 451,117 | 61,585 |
| John H. Chafee Foster Care Program for Successful Transition to Adulthood: | 93.674 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | 718,477 | 565,590 |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 615,403 | 454,808 |
| Total John H. Chafee Foster Care Program for Successful Transition to Adulthood | | | 1,333,880 | 1,020,398 |

(Continued)

ECKERD CONNECTS

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

| Federal Agency Pass-through Entity/ Federal Program/State Project | Federal Assistance Listing Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|--|--|------------------------------|--------------|----------------------------------|
| <i>Medicaid Cluster:</i> | | | | |
| Medical Assistance Program: | 93.778 | | | |
| Passed through from State of Florida Department of Children and Families | | QJ3E0 | \$ 54,911 | - |
| Passed through from State of Florida Department of Children and Families | | QJ511 | 88,177 | - |
| Total Medical Assistance Program | | | 143,088 | - |
| Total Medicaid Cluster | | | 143,088 | - |
| State Targeted Response to the Opioid Crisis Grants: | 93.788 | | | |
| Passed through from Central Florida Cares Health System | | EKM-21 | 490,421 | - |
| Total State Targeted Response to the Opioid Crisis Grants | | | 490,421 | - |
| Block Grant for the Prevention and Treatment of Substance Abuse: | 93.959 | | | |
| Passed through from Central Florida Cares Health System | | EKM-21 | 1,354,706 | - |
| Passed through from Lutheran Services Florida, Inc. | | LS027A116 | 412,665 | - |
| Total Block Grant for the Prevention and Treatment of Substance Abuse | | | 1,767,371 | - |
| Total U.S. Department of Health and Human Services | | | 98,516,564 | 31,512,381 |
| <i>U.S Department of Labor:</i> | | | | |
| <i>WIOA Cluster:</i> | | | | |
| WIOA Adult Program: | 17.258 | | | |
| Passed through from Acadiana Workforce Solutions | | WIOA ADW0820 | 505,130 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | TWDB OS FY20-21 | 867,239 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | 20SRA06 | 120,428 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | 2020-2021 - ADULT OSO | 299,027 | - |
| Passed through from Cape Fear Council of Government | | n/a | 157,128 | - |
| Passed through from Denver Economic Development & Opportunity | | 202054623 | 945,660 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0S50711 | 57,570 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0A50711 | 235,311 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9A50711 | 717,387 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0A50712 / 0D50712 | 12,702 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9A50712 / 9D50712 | 46,604 | - |
| Passed through from Durham Workforce Development Board | | n/a | 346,430 | - |
| Passed through State of North Carolina City of Durham | | NC 2020-20 REO | 103,526 | - |
| Passed through from Kansas Local Workforce Development Board | | PY 2019-20 KS | 92,798 | - |
| Passed through from Appalachian Council on Government | | 20A295E2 | 583,219 | - |
| Passed through from Appalachian Council on Government | | 20A995E2 | 81,047 | - |
| Passed through from Appalachian Council on Government | | 20SR295E1 | 46,558 | - |
| Passed through from Lower Savannah Workforce Development Area | | OAC97ED | 72,620 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9AC97ED | 680,836 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9DAY697ED | 71,701 | - |
| Passed through from Santee Lynchess Workforce Development Board | | 194710E1 | 141,304 | - |
| Passed through from Santee Lynchess Workforce Development Board | | 194710E2 | 538,755 | - |
| Passed through from WorkSource Montgomery, Inc. | | 2019-0001 | 151,063 | - |
| Passed through from State of California County of San Luis Obispo Department of Social Services | | C014 - 2020 | 207,277 | - |
| Passed through from State of California City of San Jose Office of Economic Development | | 1633891 | 232,821 | - |
| Passed through from State of Oklahoma Northeast Workforce Development Board | | n/a | 377,950 | - |
| Passed through from Capital Area Workforce Development | | EC00000000001475 | 326,488 | - |
| Passed through State of New Jersey County of Mercer | | 2018-292 / 2020-377 | 39,310 | - |
| Passed through from Citrus Levy Marion Regional Workforce Development Board | | PY17-LOA-05 | 8,101 | - |
| Passed through from Ocean County Workforce Development Board | | 017-818-6536 | 131,140 | - |
| Passed through from Shreveport One Stop Operator | | PY 2020-2021 | 61,413 | - |
| Passed through from State of Maryland Prince George County | | 2018CR-WDB-005 | 36,145 | - |
| Passed through from Philadelphia Works | | TW-19-174 | 3,792,356 | - |
| Passed through from Employ Indy | | P0506-RESEA-19-WOI | 550,354 | - |
| Passed through from Employ Indy | | S0506-WCF-19-WOI | 719,440 | - |
| Total WIOA Adult Program | | | 13,356,838 | - |

(Continued)

ECKERD CONNECTS

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

| Federal Agency Pass-through Entity/ Federal Program/State Project | Federal Assistance Listing Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|--|--|------------------------------|---------------|----------------------------------|
| WIOA Youth Activities: | 17.259 | | | |
| Passed through from Berkley Charleston Dorchester Council of Governments | | TWDB Yth FY20-21 | \$ 684,995 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | 20SR Y06 | 107,938 | - |
| Passed through from Acadiana Workforce Solutions | | WIOA Y00821 | 619,437 | - |
| Passed through from Durham Workforce Development Board | | n/a | 324,915 | - |
| Passed through from Appalachian Council on Government | | 20Y495E2 | 413,886 | - |
| Passed through from Santee Lynch Regional Council of Governments | | 20SR Y10 | 4,414 | - |
| Passed through from Santee Lynch Regional Council of Governments | | 193610EC | 439,680 | - |
| Passed through from State of California City of San Jose Office of Economic Development | | 1633891 | 197,178 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9DAY697ED | 71,701 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9N197ED | 578,650 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0S50712 | 62,776 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0Y50711 | 110,252 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9Y50711 | 415,251 | - |
| Passed through from South Carolina Department of Employment and Workforce | | 17WIG07 | 32,100 | - |
| Passed through from Citrus Levy Marion Regional Workforce Development Board | | PY17-LOA-05 | 916,955 | - |
| Passed through from Delaware County Workforce Development Board | | ECK-028-19YT | 165,638 | - |
| Passed through from State of New York Department of Youth and Community Development | | 90529 | 622,917 | - |
| Passed through from State of New York Department of Youth and Community Development | | 90528 | 799,842 | - |
| Passed through from Career Source Research Coast | | 15-003-YWS | 891,185 | - |
| Passed through from Pasco Hernando Workforce Board, Inc. | | n/a | 954,466 | - |
| Passed through from Pasco Hernando Workforce Board, Inc. | | 803167 | 168,289 | - |
| Passed through from CareerSource Flagler Volusia | | PY 2020-21 VOL | 354,500 | - |
| Passed through from First Coast Workforce Development Board | | 2020 21-03 (0) | 564,608 | - |
| Passed through from State of California County of San Luis Obispo Department of Social Services | | C022 - 2020 | 231,948 | - |
| Passed through from State of Ohio Franklin County Department of Job and Family Services | | 25-19-3279 | 552,615 | - |
| Passed through from State of Maryland Prince George County | | 2018CR-WDB-004 | 347,188 | - |
| Passed through from State of Maryland Prince George County | | 2018CR-WDB-005 | 36,145 | - |
| Passed through from State of California County of Stanislaus | | 936-19 | 64,111 | - |
| Passed through from State of Oklahoma Northeast Workforce Development Board | | n/a | 153,426 | - |
| Passed through from Philadelphia Works | | OY21-001 | 378,036 | - |
| Passed through from Employ Indy | | S0506-WCF-19-WOI | 43,602 | - |
| Direct federal award from U.S. Department of Labor | | 72-050719 | 522,781 | - |
| Total WIOA Youth Activities | | | 11,831,425 | - |
| WIOA Dislocated Worker Formula Grants: | 17.278 | | | |
| Passed through from Acadiana Workforce Solutions | | WIOA ADW0820 | 597,593 | - |
| Passed through from Appalachian Council on Government | | 20A995E2 | 10,939 | - |
| Passed through from Appalachian Council on Government | | 20D295E2 | 101,620 | - |
| Passed through from Appalachian Council on Government | | 20SR295E1 | 46,557 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | TWDB ADW FY20-21 | 195,212 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | 20SRA06 | 120,427 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | TWDB OS FY20-21 | 34,074 | - |
| Passed through from Cape Fear Council of Government | | n/a | 157,128 | - |
| Passed through from Denver Economic Development & Opportunity | | 202054623 | 525,775 | - |
| Passed through from Durham Workforce Development Board | | n/a | 141,489 | - |
| Passed through from Lower Savannah Workforce Development Area | | ODC97ED | 45,945 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9DC97ED | 392,053 | - |
| Passed through from Lower Savannah Workforce Development Area | | 9DAY697ED | 71,701 | - |
| Passed through from State of California County of San Luis Obispo Department of Social Services | | C014 - 2020 | 192,874 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0S50711 | 57,570 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0D50712 | 18,286 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9D50712 | 12,148 | - |
| Passed through from Citrus Levy Marion Regional Workforce Development Board | | PY17-LOA-05 | 8,732 | - |
| Passed through from Santee Lynch Regional Council of Governments | | 194710E2 | 198,271 | - |
| Passed through from State of Maryland Prince George County | | 2018CR-WDB-005 | 36,145 | - |
| Passed through from State of California City of San Jose Office of Economic Development | | 1633891 | 115,748 | - |
| Passed through from State of Oklahoma Northeast Workforce Development Board | | n/a | 235,591 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0D50711 | 38,089 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9D50711 | 102,496 | - |
| Passed through from Pee Dee Regional Council of Governments | | 9R50711 | 155,493 | - |
| Passed through from Employ Indy | | S0506-WCF-19-WOI | 327,018 | - |
| Total WIOA Dislocated Worker Formula Grants | | | 3,938,974 | - |
| Total WIOA Cluster | | | \$ 29,127,237 | - |

(Continued)

ECKERD CONNECTS

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

| Federal Agency Pass-through Entity/ Federal Program/State Project | Federal Assistance Listing Number | Contract/ Grant Number | Expenditures | Transfers to Subrecipients |
|--|--|------------------------------|----------------|----------------------------------|
| YouthBuild: | 17.274 | | | |
| Passed through from Citrus Levy Marion Regional Workforce Development Board | | PY17-LOA-05 | 161,640 | - |
| Total YouthBuild | | | 161,640 | - |
| WIOA National Dislocated Worker Grants/WIA National Emergency Grants: | 17.277 | | | |
| Passed through from Appalachian Council on Government | | 20RR295E1 | 56,779 | - |
| Passed through from Appalachian Council on Government | | SRY495E1 | 169,153 | - |
| Passed through from State of Colorado County of Arapahoe | | n/a | 116,852 | - |
| Passed through from Berkley Charleston Dorchester Council of Governments | | TWDB RR FY20-21 | 19,847 | - |
| Passed through from Pee Dee Regional Council of Governments | | 0C50711 | 67,599 | - |
| Passed through from Santee Lynch Regional Council of Governments | | 20RRC10 | 41,557 | - |
| Passed through from State of Oklahoma Northeast Workforce Development Board | | n/a | 46,874 | - |
| Passed through from State of Oklahoma Northeast Workforce Development Board | | n/a | 40,777 | - |
| Total WIOA National Dislocated Worker Grants/WIA National Emergency Grants | | | 559,438 | - |
| Total U.S. Department of Labor | | | 29,848,315 | - |
| Total Expenditures of Federal Awards - Eckerd Connects | | | \$ 128,661,872 | 31,512,381 |
| Caring for Children: | | | | |
| U.S. Department of Health and Human Services: | | | | |
| Promoting Safe and Stable Families: | 93.556 | | | |
| Passed through State of North Carolina Department of Health and Human Services | | 40182 | \$ 408,000 | - |
| Passed through State of North Carolina Department of Health and Human Services | | 40593 | 38,966 | - |
| Total Promoting Safe and Stable Families | | | 446,966 | - |
| Basic Center Grant: | 93.623 | | | |
| Direct federal award from the U.S. Department of Health and Human Services | | 90CY7076 | 72,042 | - |
| Total Basic Center Grant | | | 72,042 | - |
| Total U.S. Department of Health and Human Services | | | 519,008 | - |
| Total Expenditures of Federal Awards - Caring for Children | | | \$ 519,008 | - |
| Paxen, LLC: | | | | |
| U.S. Department of Labor: | | | | |
| WIOA Cluster: | | | | |
| WIOA Adult Program: | 17.258 | | | |
| Passed through from River Valley Regional Commission | | AA307431755A13 | \$ 200,761 | - |
| Passed through from Macon-Bibb County Workforce Development Board | | n/a | 61,974 | - |
| Total WIOA Adult Program | | | 262,735 | - |
| WIOA Youth Activities: | 17.259 | | | |
| Passed through from River Valley Regional Commission | | AA407431755A13 | 204,323 | - |
| Passed through from Southern Georgia Regional Commission | | 20-04 | 214,918 | - |
| Passed through from State Workforce Coastal | | 2020-ECP YS-GCM-03 | 267,024 | - |
| Passed through from State Workforce Coastal | | 18-0167-01-02 | 39,938 | - |
| Passed through from Northeast Georgia Regional Commission | | AA347632055A13 | 200,000 | - |
| Passed through from Macon-Bibb County Workforce Development Board | | n/a | 236,603 | - |
| Passed through from Northwest Georgia Regional Commission | | 01-19-20-0167 | 302,515 | - |
| Passed through from State of Georgia City of Colquitt | | PY20-126-WIOA | 324,379 | - |
| Passed through from Atlanta Regional Commission | | WD1812.2 | 284,813 | - |
| Total WIOA Youth Activities | | | 2,074,513 | - |
| WIOA Dislocated Worker Formula Grants: | 17.278 | | | |
| Passed through from Macon-Bibb County Workforce Development Board | | n/a | 199 | - |
| Total Reentry Employment Opportunities | | | 199 | - |
| Total WIOA Cluster | | | 2,337,447 | - |
| WIOA National Dislocated Worker Grants/WIA National Emergency Grants: | 17.277 | | | |
| Passed through from River Valley Regional Commission | | DW-34654-20-60-A-13 | 15,545 | - |
| Passed through from Southern Georgia Work Experience | | 20-10 | 260,762 | - |
| Total WIOA National Dislocated Worker Grants/WIA National Emergency Grants | | | 276,307 | - |
| Total Expenditures of Federal Awards - Paxen, LLC | | | 2,613,754 | - |
| Total Expenditures of Federal Awards - All Entities | | | \$ 131,794,634 | 31,512,381 |

(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 |
|---|----------------|------------------------------|---------------|----------------------------------|
| Eckerd Connects - State of Florida State Financial Assistance: | | | | |
| <i>Department of Children and Families:</i> | | | | |
| Out-of-Home Supports: | | | | |
| Direct state award from Department of Children and Families | 60.074 | QJ3E0 | \$ 2,771,756 | 713,541 |
| Direct state award from Department of Children and Families | | QJ511 | 3,445,772 | 1,923,614 |
| Passed through from Brevard County Partnership | | SVP1501 | 17,563 | - |
| Total Out of Home Supports | | | 6,235,091 | 2,637,155 |
| Independent Living: | | | | |
| Direct state award from Department of Children and Families | 60.112 | QJ3E0 | 155,972 | - |
| Direct state award from Department of Children and Families | | QJ511 | 132,925 | - |
| Total Independent Living | | | 288,897 | - |
| CBC Sexually Exploited Children: | | | | |
| Direct state award from Department of Children and Families | 60.138 | QJ511 | 26,650 | - |
| Total CBC Sexually Exploited Children | | | 26,650 | - |
| CBC - Purchase of Therapeutic Services for Children: | | | | |
| Direct state award from Department of Children and Families | 60.183 | QJ3E0 | 750,643 | 196,429 |
| Direct state award from Department of Children and Families | | QJ511 | 727,592 | 198,644 |
| Passed through from Brevard County Partnership | | SVP1501 | 20,656 | - |
| Total CBC - Purchase of Therapeutic Services for Children | | | 1,498,891 | 395,073 |
| Total Department of Children and Families | | | 8,049,529 | 3,032,228 |
| <i>Department of Juvenile Justice:</i> | | | | |
| Day Treatment Services: | | | | |
| Direct state award from Department of Juvenile Justice | 80.021 | 10591 | 2,173,538 | - |
| Direct state award from Department of Juvenile Justice | | 10645 | 1,668,158 | - |
| Total Day Treatment Services | | | 3,841,696 | - |
| Total Department of Juvenile Justice | | | 3,841,696 | - |
| Total Expenditures of State of Florida State Financial Assistance - Eckerd Connects | | | \$ 11,891,225 | 3,032,228 |

ECKERD CONNECTS

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

Year Ended June 30, 2021

(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, 2021. 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 consolidated 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 \$26,384 for the year ended June 30, 2021. Eckerd Connects and its affiliates did not have Federal Insurance in force during the year ended June 30, 2021.

(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, 2021 were as follows:

| Federal Assistance Listing Number | Federal Program | Eckerd Youth Alternatives, Inc. | Caring for Children, Inc. | Paxen, LLC | Total Federal Expenditures |
|-----------------------------------|--|---------------------------------|---------------------------|------------------|----------------------------|
| <i>Child Nutrition Cluster:</i> | | | | | |
| 10.553 | School Breakfast Program | \$ 74,085 | - | - | 74,085 |
| 10.555 | National School Lunch Program | 145,967 | - | - | 145,967 |
| | | 220,052 | - | - | 220,052 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 26,384 | - | - | 26,384 |
| <i>WIOA Cluster:</i> | | | | | |
| 17.258 | WIOA Adult Program | 13,356,838 | - | 262,735 | 13,619,573 |
| 17.259 | WIOA Youth Activities | 11,831,425 | - | 2,074,513 | 13,905,938 |
| 17.278 | WIOA Dislocated Worker Formula Grants | 3,938,974 | - | 199 | 3,939,173 |
| | | 29,127,237 | - | 2,337,447 | 31,464,684 |
| 17.274 | YouthBuild | 161,640 | - | - | 161,640 |
| 17.277 | WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 559,438 | - | 276,307 | 835,745 |
| 84.000 | E-Rate | 45,552 | - | - | 45,552 |
| 84.027 | Special Education Grants to States | 5,005 | - | - | 5,005 |
| 93.556 | Promoting Safe and Stable Families | 3,657,613 | 446,966 | - | 4,104,579 |
| <i>TANF Cluster:</i> | | | | | |
| 93.558 | Temporary Assistance to Needy Families | 12,901,104 | - | - | 12,901,104 |
| 93.090 | Guardianship Assistance | 73,145 | - | - | 73,145 |
| 93.597 | Grants to States for Access and Visitation Programs | 49,452 | - | - | 49,452 |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | 182,239 | - | - | 182,239 |
| 93.600 | Head Start | 7,365,868 | - | - | 7,365,868 |
| 93.623 | Basic Center Grant | - | 72,042 | - | 72,042 |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | 841,320 | - | - | 841,320 |
| 93.658 | Foster Care Title IV-E | 33,455,589 | - | - | 33,455,589 |
| 93.659 | Adoption Assistance | 26,940,916 | - | - | 26,940,916 |
| 93.667 | Social Services Block Grant | 8,863,441 | - | - | 8,863,441 |
| 93.669 | Child Abuse and Neglect State Grants | 451,117 | - | - | 451,117 |
| 93.674 | John H. Chafee Foster Care Program for Successful Transition to Adulthood | 1,333,880 | - | - | 1,333,880 |
| <i>Medicaid Cluster:</i> | | | | | |
| 93.778 | Medical Assistance Program | 143,088 | - | - | 143,088 |
| 93.788 | State Targeted Response to the Opioid Crisis Grants | 490,421 | - | - | 490,421 |
| 93.959 | Block Grant for the Prevention and Treatment of Substance Abuse | 1,767,371 | - | - | 1,767,371 |
| | | <u>\$ 128,661,872</u> | <u>519,008</u> | <u>2,613,754</u> | <u>131,794,634</u> |

INTERNAL CONTROL AND COMPLIANCE



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Consolidated 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 consolidated financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, "Eckerd Connects"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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' consolidated 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 consolidated 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.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive, professional style.

December 21, 2021
St. Petersburg, Florida



Independent Auditors' 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, 2021. Eckerd Connects' major federal programs and state financial assistance projects are identified in the summary of auditors' 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.

Auditors' 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 State of Florida 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, 2021.

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 State of Florida 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.

Mayer Hoffman McCann P.C.

December 21, 2021
St. Petersburg, Florida

ECKERD CONNECTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

(A) **Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Eckerd Youth Alternatives, Inc. and Affiliates.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated 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 Auditors' 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 auditors' 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:

Social Services Block Grant (AL No. 93.667)
Foster Care Title IV-E (AL No. 93.658)

Florida State Projects:

Out-of-Home Supports (CSFA No. 60.074)
CBC - Purchase of Therapeutic Services for Children (CSFA No. 60.183)

7. The threshold for distinguishing Types A and B programs was \$3,000,000 for major federal programs and \$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 Consolidated 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 2020 audit.



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

Report on Consolidated Financial Statements

We have audited the consolidated 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, 2021, and have issued our report thereon dated December 21, 2021.

Auditors’ 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 Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*, our Independent Auditors’ 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 21, 2021, 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 consolidated 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 21, 2021
St. Petersburg, Florida

