

2022

Arnette House, Inc.

Financial Statements and
Independent Auditor's Report

June 30, 2022

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**ARNETTE HOUSE, INC.
OCALA, FLORIDA**

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arnette House, Inc.
Ocala, Florida

Report of Financial Statements

We have audited the accompanying financial statements of Arnette House, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arnette House, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arnette House, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arnette House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing

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standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arnette House Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arnette House, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Arnette House, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the

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financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of Arnette House, Inc.'s internal control over financial reporting and on our test 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* and in considering Arnette House, Inc.'s internal control over financial reporting and compliance.



March 30, 2022
Ocala, Florida

FINANCIAL STATEMENTS

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2021
ARNETTE HOUSE, INC. - OCALA, FLORIDA**

ASSETS

	2022	2021
Current Assets		
Cash and Cash Equivalents	\$ 1,293,599	\$ 1,346,071
Grants and Contracts Receivable	223,061	222,498
Construction in Process	49,560	-
Prepaid Expenses and Other Assets	23,448	31,924
Total Current Assets	<u>1,589,668</u>	<u>1,600,493</u>
Property and Equipment		
Property and Equipment, Net of Accumulated Depreciation	559,425	566,373
Total Property and Equipment	<u>559,425</u>	<u>566,373</u>
Non-Current Assets		
Interest in Beneficial Trust	5,722	6,732
Investment Real Estate Joint Venture	191,500	240,000
Total Non-Current Assets	<u>197,222</u>	<u>246,732</u>
Total Assets	<u><u>2,346,315</u></u>	<u><u>2,413,598</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	35,314	23,960
Accrued Payroll and Fringe Benefits	68,151	173,468
Compensated Absences	80,713	78,787
Deferred Revenue	-	3,500
Paycheck Protection Program Loan - Current Portion	-	17,129
Total Current Liabilities	<u>184,178</u>	<u>296,844</u>
Long-Term Liabilities		
Paycheck Protection Program Loan	-	49,497
Total Long-Term Liabilities	<u>-</u>	<u>49,497</u>
Total Liabilities	<u>184,178</u>	<u>346,341</u>
Net Assets		
With Donor Restrictions	17,448	5,205
Without Donor Restrictions	2,144,689	2,062,052
Total Net Assets	<u>2,162,137</u>	<u>2,067,257</u>
Total Liabilities and Net Assets	<u><u>\$ 2,346,315</u></u>	<u><u>\$ 2,413,598</u></u>

See accompanying notes.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2021
ARNETTE HOUSE, INC. - OCALA, FLORIDA

	Without Donor Restrictions	With Donor Restrictions	Total	2021
Support and Revenue				
Runaway Shelter Care	\$ 1,089,023	\$ -	\$ 1,089,023	\$ 1,075,888
Group Homes	460,587	-	460,587	415,238
Basic Center	177,703	-	177,703	177,703
Emergency Shelter Care	78,526	-	78,526	147,877
SNAP Program	239,052	-	239,052	201,121
United Way of Marion County, Inc.	98,326	-	98,326	126,805
Sexauer Foundation Grant	-	15,000	15,000	25,000
Probation Respite	53,217	-	53,217	87,298
Paycheck Protection Program Funding	-	-	-	160,528
Donations	138,622	59,152	197,774	164,694
In-Kind Donations	50,680	-	50,680	54,343
Fundraising	37,485	-	37,485	12,611
Food and Nutrition Services	32,642	-	32,642	42,895
Emergency Solutions Grant	37,850	-	37,850	20,000
Interest Income	4,840	-	4,840	7,921
Miscellaneous	16,718	-	16,718	5,467
Gain(Loss) on Investments	(1,072)	-	(1,072)	1,022
Gain on Sale of Assets	-	-	-	1,521
Net Assets Released from Restriction	61,909	(61,909)	-	(535)
Total Support and Revenue	<u>2,576,108</u>	<u>12,243</u>	<u>2,588,351</u>	<u>2,727,397</u>
Expenses				
General and Administrative	425,341	-	425,341	509,469
Fundraising Costs	12,552	-	12,552	718
Short-Term Residential	1,166,252	-	1,166,252	1,276,650
Non-Residential	331,597	-	331,597	340,677
Group Homes	399,132	-	399,132	408,798
SNAP	158,597	-	158,597	146,142
(Total Expenses)	<u>(2,493,471)</u>	<u>-</u>	<u>(2,493,471)</u>	<u>(2,682,454)</u>
Changes in Net Assets	82,637	12,243	94,880	44,943
Net Assets, Beginning of Year	<u>2,062,052</u>	<u>5,205</u>	<u>2,067,257</u>	<u>2,022,314</u>
Net Assets, End of Year	<u>\$ 2,144,689</u>	<u>\$ 17,448</u>	<u>\$ 2,162,137</u>	<u>\$ 2,067,257</u>

See accompanying notes.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2021
ARNETTE HOUSE, INC. - OCALA, FLORIDA**

	<u>General and Administrative</u>	<u>Fundraising Costs</u>	<u>Short-Term Residential</u>	<u>Non- Residential</u>	<u>Group Homes</u>	<u>Stop Now And Plan</u>	<u>Total</u>	<u>2021</u>
Expenses								
Personnel Expenses:								
Salaries	\$ 294,800	\$ -	\$ 709,962	\$ 252,478	\$ 267,726	\$ 119,815	\$ 1,644,781	\$ 1,836,596
Payroll Taxes	22,499	-	54,128	17,984	20,122	10,374	125,107	139,785
Health Insurance	7,696	-	64,795	14,284	21,467	5,165	113,407	113,699
Total Personnel Expenses	<u>324,995</u>	<u>-</u>	<u>828,885</u>	<u>284,746</u>	<u>309,315</u>	<u>135,354</u>	<u>1,883,295</u>	<u>2,090,080</u>
Non-Personnel Expenses:								
Insurance	4,644	-	38,100	22,087	12,372	2,935	80,138	76,079
Food and Drink	-	-	48,316	-	17,154	4,029	69,499	69,976
Client Expenses	-	-	18,436	-	13,262	480	32,178	40,904
Contractual Services	7,095	-	28,764	4,142	3,691	2,436	46,128	46,100
Utilities	2,020	-	28,864	2,326	12,489	6,572	52,271	49,785
Repairs and Maintenance	241	-	33,740	7,514	8,834	117	50,446	26,252
Professional Fees and Services	6,327	-	18,914	5,018	2,831	2,375	35,465	23,644
Office Expenses	906	-	5,044	1,198	1,116	704	8,968	6,537
Telephone	4,578	-	6,720	3,652	1,152	365	16,467	15,809
Dues and Subscriptions	-	-	24,988	-	-	-	24,988	32,075
Supplies	324	-	21,647	-	4,191	1,446	27,608	28,348
Travel	-	-	1,516	59	-	19	1,594	390
Taxes and Licenses	70	-	3,045	121	693	-	3,929	2,738
Conferences and Training	-	-	8,974	80	323	1,416	10,793	7,238
Postage	85	-	647	99	57	42	930	1,682
Advertising	-	-	2,324	-	-	59	2,383	811
Bank Charges	682	-	-	-	-	-	682	689
In-Kind	433	-	46,007	505	3,518	217	50,680	54,343
Fundraising	446	12,552	-	-	-	-	12,998	718
Equipment	624	-	1,321	50	1,474	31	3,500	6,364
Depreciation	70,706	-	-	-	-	-	70,706	92,708
Rent	-	-	-	-	6,660	-	6,660	9,184
Interest Expense	1,165	-	-	-	-	-	1,165	-
Total Non-Personnel Expenses	<u>100,346</u>	<u>12,552</u>	<u>337,367</u>	<u>46,851</u>	<u>89,817</u>	<u>23,243</u>	<u>610,176</u>	<u>592,374</u>
Total Expenses	<u>\$ 425,341</u>	<u>\$ 12,552</u>	<u>\$ 1,166,252</u>	<u>\$ 331,597</u>	<u>\$ 399,132</u>	<u>\$ 158,597</u>	<u>\$ 2,493,471</u>	<u>\$ 2,682,454</u>

See accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022,
WITH COMPARATIVE TOTALS FOR JUNE 30, 2021
ARNETTE HOUSE, INC. - OCALA, FLORIDA

	2022	2021
Cash Flows from Operating Activities		
Support and Revenue Collected:		
Contracts, Grants, and Services Fees	\$ 2,391,220	\$ 2,399,054
Contributions and Other Miscellaneous Revenues	248,454	234,433
Payments for Expenses:		
Compensation and Related Expenses	(1,981,450)	(2,090,080)
Vendors and Suppliers	(534,427)	(406,623)
Net Cash Provided by (Used in) Operating Activities	123,797	136,784
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(63,758)	(22,456)
Interest Income	4,840	7,921
Proceeds from Sale of Assets	-	1,521
Construction in Process	(49,560)	-
Net Cash Provided by (Used in) Investing Activities	(108,478)	(13,014)
Cash Flows from Financing Activities		
Payments on Long-Term Debt	(66,626)	(1,477)
Interest Expense	(1,165)	(79)
Net Cash Provided by (Used in) Financing Activities	(67,791)	(1,556)
Net Increase (Decrease) in Cash and Cash Equivalents	(52,472)	122,214
Cash and Cash Equivalents, Beginning of Year	1,346,071	1,223,857
Cash and Cash Equivalents, End of Year	\$ 1,293,599	\$ 1,346,071

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Organization and Nature of Activities

Arnette House, Inc. (the Corporation) is a not-for-profit corporation organized under the laws of the state of Florida on April 22, 1981. The Corporation is established to provide temporary shelter for troubled adolescents between the ages of 10 and 17, who are runaways or are experiencing a family crisis, until adequate disposition is made for the youth. The Corporation serves Marion and Lake Counties.

In March 2009, the Corporation established the Group Home Program, which is a permanent home for children ages 13-18 who live in two separate group homes (one for boys and one for girls), to provide a stable and long-term home-like environment.

The Corporation is supported primarily by grants and contracts from the state of Florida Department of Juvenile Justice (DJJ), Community Based Care (CBC) Programs, and the Department of Health and Human Services. At June 30, 2022, those grants and contracts approximated 86% of the Corporation's total support and revenue. The Corporation also receives annual funding from the United Way of Marion County, Inc.

Basis of Accounting

The Corporation follows standards of accounting and financial reporting prescribed for not-for-profit voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, state, and other public grants are recorded as support and revenue when performance occurs under the terms of the grant agreement.

The accompanying schedule of expenditures of state financial assistance of the Corporation is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation, of the financial statements.

Financial Statement Presentation

Financial statement presentation follows *Accounting Standards Codification (ASC) 958-205, Financial Statements of Not-For-Profit Organizations*. Under ASC 958-205, the Corporation is required to report information regarding its financial positions and activities as follows:

- Without Donor Restrictions
- With Donor Restrictions

Without Donor Restrictions

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

With Donor Restrictions

Net assets subject to donor-imposed stipulations that may, or will be met, either by actions of the Corporation and/or passage of time. When a restriction expires, with donor restriction assets are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The carrying amounts of cash, grants and contracts receivable, and accounts payable approximates fair value because of the short maturity of those financial instruments.

Property, Equipment, and Depreciation

Purchased property and equipment is recorded at cost. Acquisitions of equipment in excess of \$500 and building and infrastructure improvements in excess of \$1,000 are capitalized. Donated property and equipment is recorded at its fair value on the date of donation.

Depreciation is calculated on the straight-line method over the following estimated useful lives:

Buildings	30 Years
Equipment	5 - 10 Years
Furniture and Fixtures	5 - 10 Years
Vehicles	6 Years

Federal and state grant awards are recognized in accordance with the legal and contractual requirements of the grants. All of the Corporation's grants have been determined to be exchange transactions and not contributions; therefore, revenues are recognized when earned.

Allocation of Expenditures

Expenses are allocated among the various program services to the extent a direct relationship can be established. Salaries and other expenses, which are associated with a specific program, are allocated directly to that program. Salaries and other expenses, which benefit various programs, are allocated to the program services based on the relative benefit provided. The following is a summary description of the Corporation's functional expense categories:

■ **General and Administrative**

Those costs associated with administration of the Corporation, including finance, accounting, staff supervision, Board of Directors operations, and human resources.

■ **Fundraising Costs**

Those costs associated with all fundraising, including advertising costs associated directly to the specific event.

■ **Short-Term Residential**

Those costs associated with maintaining the temporary shelter, including meals, clothing, supplies, recreation, and related personnel costs.

■ **Non-Residential**

Those costs associated with providing family counseling, specialized groups, parenting classes, including class materials, training and outreach, and prevention.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

■ **Group Homes**

Those costs associated with maintaining the group homes, including meals, clothing, supplies, skills training, recreation, and personnel costs.

■ **Stop Now and Plan**

Helps troubled children and their parents learn how to effectively manage their emotions and ‘keep problems small’.

Support and Revenue Recognition

Contributions and Grant Contracts

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other Revenues – Overnight Shelter Care and Group Home Care

The Corporation’s revenues are recognized as customers obtain control of promised goods and services in an amount that reflects consideration in exchange for those goods and services. The Corporation provides shelter care and group home beds for CBC organizations that need immediate placement for children in foster care. Services are paid for based on a negotiated per night rate and in exchange, room and board and supervision based on the time period of the stay. The exchange for the services is paid to the Corporation on a monthly basis after the performance obligation is complete.

Income Tax Status

The Corporation is currently exempt from state and federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision has been made for income tax liabilities or expenses.

It is the policy of management to evaluate its tax position on an ongoing basis and to disclose any such positions it believes would have a material impact on the financial statements and related notes. Management also believes that no such required disclosures currently exist.

The Corporation is no longer subject to U.S. federal or state income tax examinations by tax authorities for over three years in the past. The Corporation would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates contained in the accompanying financial statements are management’s estimates of uncollectible accounts receivable, allowances for loan loss, contingent liabilities, and the lives and methods for recording depreciation.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

In-Kind Contributions

The Corporation records in-kind revenues and expenses for the value of contributed goods and services, such as supplies and professional fees.

Subsequent Events

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through March 30, 2022, the date the financial statements were available to be issued.

Concentrations of Credit Risk

Periodically throughout the year, the Corporation may have a cash balance in excess of the Federal Deposit Insurance Corporation coverage.

Paycheck Protection Program (PPP)

Funds were received in advance for services or other conditions that have not been rendered or delivered and are reported as refundable advances. The Corporation is liable to return the funds if the service or conditions are not delivered or completed. The Corporation has chosen to follow the provisions of the Financial Accounting Standards Board (FASB) ASC 958-605 and recognize the loan proceeds as a refundable advance and recognize the contribution as the conditions of release have been substantially met (loan forgiveness). A portion of the funds received were forgiven and recognized as revenue during the year, and the remainder was converted to a loan on April 23, 2021, see Note 9.

Comparative Totals

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2021, from which the summarized information was derived. Certain reclassifications have been made to the 2021 financial statements presentation to correspond to the current year's format.

Prior Period Adjustment

The Corporation has reassessed the factors originally evaluated related to the accounting treatment of a loan transaction, under ASC 310, related to the 14th Street Apartments, as further described in Note 5. Due to the sale of the property originally collateralizing the note and the renegotiation of a mortgage on other property controlled by the Coalition for Youth, the Corporation has determined the accounting treatment for a real estate joint venture under ASC 970, now more appropriately applies. With the adoption of treatment as a real estate joint venture, the Corporation has recorded a prior period adjustment increasing net assets by \$240,000 and recording a non-current asset of an Investment Real Estate Joint Venture in the amount of \$240,000 in the comparative financial statement columns for the year ended June 30, 2021 accompanying these financial statements.

Upcoming Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) Statement No. 2016-02, *Leases*. ASU Statement No. 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right-to-use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. ASU Statement No. 2016-02 is now effective for the Corporation beginning on July 1, 2022. The Corporation has not yet determined the impact on the financial statements.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

Note 2 - Grants and Contracts Revenue and Accounts Receivable

The Corporation's revenues are primarily from grant contracts with the DJJ for the provision of housing and counseling services. The contract is a fixed price contract and is passed through the Florida Network of Youth and Family Services; therefore, the Corporation is considered a sub-recipient. The Corporation receives a pre-established amount each month for the DJJ grant. No allowance for uncollectible amounts is considered necessary.

At June 30, 2022, grants and contracts receivable were as follows:

Department of Juvenile Justice	\$ 163,316
Community Based Care Organizations	52,590
Other Grants	<u>7,155</u>
Total Grants and Contracts Receivable	<u>\$ 223,061</u>

Contracts with Customers

The Corporation recognized revenues from contracts with organizations consistent with amounts billed at contractually agreed upon daily rates. Revenue generated from these activities under each customer's contract represent a single performance obligation and are recognized at the point in time when service has been rendered to the customer and the Corporation's obligation has been fulfilled. Revenue is measured based on the amount of consideration expected to be received in exchange for the service. The contract term between the Corporation and the clients can be terminated or modified at any time.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied at a point in time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Corporation believes that this method provides a faithful depiction of the transfer or services of the performance obligation based on the inputs needed to satisfy the obligation.

Contract assets are recorded as CBC accounts receivable with balances of \$52,590 on June 30, 2022, and \$54,978 on July 1, 2021. There are no contract liabilities as of June 30th as there are no outstanding performance obligations.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2022:

Land	\$ 60,000
Buildings and Improvements	1,425,878
Furniture and Fixtures	218,777
Machinery and Equipment	228,745
Vehicles	<u>77,098</u>
	2,010,498
(Accumulated Depreciation)	<u>(1,451,073)</u>
Total Property and Equipment, Net	<u>\$ 559,425</u>

Depreciation expense for the period ended June 30, 2022, was \$70,706.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

Note 4 - Interest in Beneficial Trust

Amounts reported in the statement of financial position as Interest in Beneficial Trust represents the net cumulative transfers by the Corporation to the Community Foundation of Ocala Marion County. This amount totaled \$5,722 at June 30, 2022. The Community Foundation of Ocala/Marion County holds and invests the funds on behalf of the Corporation in an endowment fund for the benefit of the Corporation. Funds are invested in equities, fixed income bonds, treasury notes and money markets, and a small portion in hedge funds. Funds are to be distributed to the Corporation at their request.

Note 5 - Real Estate Joint Venture

The Corporation is a member of the Coalition for Youth, Inc., a related-party as discussed in Note 12. The Coalition for Youth has created two 501(c)(3) entities, the 14th Street Apartments, Inc., and 44th Court Properties, each acquiring properties of the same name. The Corporation had provided loans to the 14th Street Apartments in the amount of \$240,000, over the course of several years and had recorded a liability for their loans issued and as well as a corresponding allowance for doubtful accounts, since there was uncertainty of the future cash flows of 14th Street Apartments and, therefore, the collectability of this loan.

In February 2022, 14th Street Apartments were sold. Both members of the Coalition for Youth, Inc. received \$48,500 as a partial payment for the loans that were issued, and the remaining loan balance was transferred as an interest in 44th Court Properties, which consists of 2 group homes. The Corporation will receive the \$191,500 balance of the loan, reported as an investment in real estate joint venture, upon the sale of the 44th Court Properties. At this time, there is no future plan to sell this property and the group homes are currently leased to the Corporation (see note 10).

Due to the sale of the property originally collateralizing the note and the renegotiation of the mortgage on other property controlled by the Coalition for Youth, the Corporation has reassessed the accounting treatment for this transaction, and adopted accounting for a real estate joint venture under ASC 970. This transaction will record an investment in a real estate joint venture of \$240,000 using the equity method, as of the initial date of the transaction. The balance of the real estate joint venture is \$191,500 as of June 30, 2022.

Note 6 - Compensated Absences

The Corporation accrued the liability for employees' rights to receive compensation for future absences. The accumulated earned vacation leave for the period ended June 30, 2022, is \$80,713, and is recorded as a current liability.

Note 7 - Net Assets

The detail of the Corporation's net assets at June 30, 2022, is as follows:

Without Donor Restrictions

Invested in Property, Plant and Equipment	\$ 559,425
Undesignated	<u>1,585,264</u>
Total Without Donor Restrictions	<u>\$ 2,144,689</u>

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

With Donor Restrictions

Restricted for Client Services	\$ 17,448
Total With Donor Restrictions	\$ 17,448

Note 8 - Contingencies and Concentrations

Grant Funding

The Corporation receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Corporation's program activities.

Grants and contracts require the fulfillment of certain conditions set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although this is a possibility, the Board of Directors deems the contingency remote and, since by accepting the grants and their terms, it has adapted to the objectives of the grantors' provisions of the contract.

Note 9 - Refundable Advance and Loan Agreement

During 2020, the Corporation was granted a loan in the amount of \$348,354, pursuant to the PPP, under Division A, Title I of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), which was enacted March 27, 2020. PPP provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the Corporation uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities and maintains its payroll levels. PPP loan funds were expended on expenses that the Corporation has determined are eligible for forgiveness. Therefore, the Corporation has applied ASC 958-605, *Contribution Accounting for Not-for-Profit Entities*, under which the funds are initially recorded as a refundable advance and recognized as grant revenue once the conditions of release (forgiveness) have been substantially met. The Corporation recognized revenue of \$0 and \$160,528 for the years ended June 30, 2022 and 2021, respectively.

The Corporation did not receive forgiveness for \$68,102 of this advance and began repaying the loan in May 2021, the balance of this loan agreement was paid in full at June 30, 2022.

Note 10 - Operating Leases

The Corporation began leasing two group homes on 44th Court in Ocala, Florida, a related-party described in note 12, under a twelve-month lease, which began March 1, 2009, and is renewed annually. During the fiscal year 2014, the Corporation lease was amended, and the Corporation is now paying all insurance and repair and maintenance costs associated with the group homes in lieu of rent. The insurance and repair and maintenance expense related to this agreement was \$6,660 for the year ended June 30, 2022.

On March 2, 2021, the Corporation entered into a lease agreement for three copy machines at a cost of \$795 per month for 60 months. Total rent expense for the year ended June 30, 2022, was \$9,540.

NOTES TO FINANCIAL STATEMENTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA

Total future minimum lease payments under the operating lease are as follows:

Year	Copy Machines
2023	\$ 9,540
2024	9,540
2025	7,950
Total	27,030

Note 11 - Liquidity and Available Resources

Financial assets consist of cash on deposit, investments, grants, and accounts receivable. There are no other unavailable financial assets. There are no further Board of Directors designated assets or available lines of credit to meet general expenditures within one year.

Financial Assets, as of June 30, 2022	\$ 1,321,622
Less Those Unavailable for General Expenditures	
Within One Year Restricted for Client Services	(17,448)
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	\$ 1,304,174

Note 12 - Related-Party Transactions

During fiscal year 2008, the Corporation participated in the organization of a 501(c)(3) entity, the Coalition for Youth, Inc. The Coalition for Youth, Inc. established two subsidiary 501(c)(2) entities, the 14th Street Apartments, Inc. and the 44th Court Property, Inc. The Corporation is a member of the Coalition for Youth, Inc., as identified in its organizing documents. The entities hold the title for their respective property, collect income, and remit the entire income less expenses to the Coalition for Youth, Inc. The governing Board of Directors of Coalition for Youth, Inc. includes the Corporation's CEO and two Board of Director members. The officers of 14th Street Apartments, Inc. and 44th Court Property, Inc. include the Corporation's CEO as its secretary. As described in Note 5, the 14th Street Apartments sold during fiscal year 2022.

The Corporation is currently leasing two group homes, as described in Note 10. The expenses under the lease were \$6,660 during fiscal year 2022.

Note 13 - Federal Single Audit Requirement

At June 30, 2022, less than \$750,000 was expended in federal financial awards qualifying under U.S. Office of Management and Budget Uniform Guidance and, accordingly, no Federal Single Audit was required.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED BY
THE COMPTROLLER GENERAL OF THE UNITED STATES; AND THE
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022
ARNETTE HOUSE, INC. - OCALA, FLORIDA**

<u>State Agency and Project Title</u>	<u>State CSFA Number</u>	<u>State Expenditures</u>
State of Florida Department of Juvenile Justice Passed Through the Florida Network of Youth and Family Services:		
Children and Families in Need of Services July 1, 2021 - June 30, 2022	80.005	\$ <u>1,381,292</u>
Total		\$ <u>1,381,292</u>

Note: The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Arnette House, Inc. for the year ended June 30, 2022. The schedule of expenditures of state financial assistance was prepared on the accrual basis of accounting.

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

Board of Directors
Arnette House, Inc.
Ocala, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arnette House, Inc., a not-for-profit organization, which comprise the statement of financial position as of June 30, 2022, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Arnette House, Inc.'s 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arnette House Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arnette House, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arnette House, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material

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Ocala, Florida

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

effect on the of 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

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

Purvis Gray

March 30, 2022
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

Board of Directors
Arnette House, Inc.
Ocala, Florida

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Arnette House, Inc.'s compliance with the types of compliance requirements described in the Department of Financial Services' State Projects *Compliance Supplement* that could have a direct and material effect on each of the Arnette House, Inc.'s major state projects for year-end June 30, 2022. Arnette House, Inc.'s major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Arnette House, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for year ended June 30, 2022.

Basis for Opinion on Each Major State Project

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 Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arnette House, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Arnette House, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Arnette House Inc's state projects.

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Board of Directors
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Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Arnette House, Inc's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General* will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Arnette House Inc's, compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Arnette House Inc's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arnette House Inc's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of Arnette House Inc's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, non-compliance with a type of compliance requirement of a state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility

Board of Directors
Arnette House, Inc.
Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY CHAPTER 10.650,
RULES OF THE AUDITOR GENERAL**

that material non-compliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



March 30, 2022
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATE PROJECTS
ARNETTE HOUSE, INC. - OCALA, FLORIDA**

Summary of Audit Results

Financial Statements

Type of Audit Report Issued:	Unmodified Opinion
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	No

State Projects

Internal Control Over Major Projects:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Audit Report Issued on Compliance for Major Projects:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with 10.650 for non-profit and for-profit organizations?	No
Identification of Major Projects:	
State Project	Children and Families in Need of Services; State CSFA No. 80.005
Dollar Threshold Used to Distinguish Between Type A and Type B Programs – State Projects	\$414,388

Other Issues

- A. No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.
- B. No Management Letter has been included in the report because no findings or comments were noted pursuant to Chapter 10.650, *Rules of the Auditor General*.

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