



Audited Financial Statements

June 30, 2022 and 2021

ECKERD CONNECTS

Table of Contents

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Independent Auditors' Report on Consolidated Financial Statements and Supplementary Financial Information	1 - 3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 30
SUPPLEMENTARY FINANCIAL INFORMATION	
Consolidating Statement of Financial Position	31
Consolidating Statement of Activities	32
Schedule of Expenditures of Federal Awards and State Financial Assistance	33 - 39
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	40 - 41
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 <i>Government Auditing Standards</i>	42 - 43
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the State of Florida Auditor General</i>	44 - 46
Schedule of Findings and Questioned Costs	47 - 48
Management Letter	49

AUDITED FINANCIAL STATEMENTS



Mayer Hoffman McCann P.C.

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**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 Audit of the Consolidated Financial Statements

Opinion

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, 2022, and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Eckerd Connects as of June 30, 2022 and 2021, 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.

We did not audit the 2021 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Eckerd Connects and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Eckerd Connects' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eckerd Connects' 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.

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 GAAS. 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 February 1, 2023 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 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 Eckerd Connects' 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.

February 1, 2023
St. Petersburg, Florida

ECKERD CONNECTS

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 17,937,963	20,571,856
Restricted cash	1,050,779	1,492,739
Accounts receivable	30,781,102	27,652,563
Contributions receivable	642,111	679,373
Other current assets	1,377,269	1,332,059
Total current assets	51,789,224	51,728,590
Investments	11,219,748	10,360,086
Other assets	739,648	890,697
Property and equipment, net	5,831,721	6,798,557
Goodwill	2,860,257	2,860,257
Other intangible assets	5,232,220	6,542,828
Beneficial interest in perpetual trusts	27,849,947	32,820,174
Total assets	\$ 105,522,765	112,001,189
Liabilities and Net Assets		
Current liabilities:		
Short-term note payable	\$ 3,000,000	-
Current portion of capital lease obligations	199,409	159,027
Current installments of long-term debt	-	1,010,330
Accounts payable and accrued expenses	28,332,636	26,718,139
Accrued pension expenses	1,212,461	1,044,505
Deferred revenue	914,468	634,017
Obligation under earnout provision	729,408	2,839,567
Total current liabilities	34,388,382	32,405,585
Capital lease obligations, less current portion	460,858	388,280
Long-term debt, excluding current installments	-	5,199,955
Total liabilities	34,849,240	37,993,820
Net assets:		
Without donor restrictions:		
Undesignated	30,390,499	29,149,467
Designated	11,169,851	10,406,665
Total net assets without donor restrictions	41,560,350	39,556,132
With donor restrictions	29,113,175	34,451,237
Total net assets	70,673,525	74,007,369
Total liabilities and net assets	\$ 105,522,765	112,001,189

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

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Operating support and revenue:				
Program revenues:				
Funding contracts	\$ 307,396,605	-	307,396,605	347,042,784
Medicaid and third party insurance	1,065,202	-	1,065,202	790,980
Contributions	2,512,524	-	2,512,524	3,960,154
Gifts-in-kind	273,698	-	273,698	200,801
Interest and dividends, net of fees	238,157	345	238,502	258,839
Other revenue	554,136	-	554,136	291,028
Net assets released from restriction:				
Satisfaction of use restrictions	1,128,343	-	1,128,343	968,489
Total operating support and revenue	313,168,665	345	313,169,010	353,513,075
Operating expenses:				
Program services	283,827,632	-	283,827,632	323,770,993
Supporting services	27,334,967	-	27,334,967	24,612,611
Total operating expenses	311,162,599	-	311,162,599	348,383,604
Change in net assets from operations	2,006,066	345	2,006,411	5,129,471
Other changes:				
Unrealized and realized gains on investments	(1,763,801)	(9,864)	(1,773,665)	1,279,717
Gain on sale of property and equipment	1,761,953	-	1,761,953	83,722
Restricted grants and contributions	-	770,027	770,027	934,637
Change in value of beneficial interest in perpetual trusts	-	(4,970,227)	(4,970,227)	6,333,544
Net assets released from restrictions	-	(1,128,343)	(1,128,343)	(968,489)
Total other changes	(1,848)	(5,338,407)	(5,340,255)	7,663,131
Change in net assets	2,004,218	(5,338,062)	(3,333,844)	12,792,602
Net assets at beginning of year	39,556,132	34,451,237	74,007,369	61,214,767
Net assets at end of year	\$ 41,560,350	29,113,175	70,673,525	74,007,369

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

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Program revenues:			
Funding contracts	\$ 347,042,784	-	347,042,784
Medicaid and third party insurance	790,980	-	790,980
Contributions	3,960,154	-	3,960,154
Gifts-in-kind	200,801	-	200,801
Interest and dividends, net of fees	258,839	-	258,839
Other revenue	291,028	-	291,028
Net assets released from restriction:			
Satisfaction of use restrictions	968,489	-	968,489
Total operating support and revenue	353,513,075	-	353,513,075
Operating expenses:			
Program services	323,770,993	-	323,770,993
Supporting services	24,612,611	-	24,612,611
Total operating expenses	348,383,604	-	348,383,604
Change in net assets from operations	5,129,471	-	5,129,471
Other changes:			
Unrealized and realized gains on investments	1,279,717	-	1,279,717
Gain on sale of property and equipment	83,722	-	83,722
Restricted grants and contributions	-	934,637	934,637
Change in value of beneficial interest in perpetual trust	-	6,333,544	6,333,544
Net assets released from restrictions	-	(968,489)	(968,489)
Total other changes	1,363,439	6,299,692	7,663,131
Change in net assets	6,492,910	6,299,692	12,792,602
Net assets at beginning of year	33,063,222	28,151,545	61,214,767
Net assets at end of year	\$ 39,556,132	34,451,237	74,007,369

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

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Program Services						Supporting Services				Total	
	Residential Programs	Non-Residential Programs	Lead Agency	Job Corps and Workforce Development	Other Programs	Total	Administrative	General and Administrative	Fundraising	Total	2022	2021
	Operating expenses:											
Payroll and related expenses	\$ 8,032,262	14,522,936	16,729,458	68,615,720	91,258	107,991,634	8,967,683	13,228,694	730,023	13,958,717	121,950,351	134,169,107
Employee related	92,112	80,078	88,752	139,748	36,976	437,666	48,881	22,979	422	23,401	461,067	315,267
Training	31,807	399,401	14,129	297,115	239	742,691	32,252	31,906	3,742	35,648	778,339	685,666
Supplies and materials	713,676	808,214	189,799	3,759,050	84,685	5,555,424	52,812	388,663	15,929	404,592	5,960,016	2,564,564
Food	361,361	112,128	37,552	1,924	170	513,135	-	-	-	-	513,135	441,033
Technology	95,340	91,270	853,213	282,092	243,796	1,565,711	1,202,767	1,120,381	67,732	1,188,113	2,753,824	2,353,624
Travel	39,458	828,993	295,766	801,547	29,295	1,995,059	198,837	165,987	22,639	188,626	2,183,685	1,194,636
Vehicle	84,958	206,184	62,942	3,977	91	358,152	19,809	16,466	15,864	32,330	390,482	301,534
Repairs and maintenance	284,534	597,320	108,025	103,395	4,623	1,097,897	25,454	25,454	-	25,454	1,123,351	1,262,060
Utilities	312,684	86,716	70,520	407,407	22,618	899,945	50,314	50,314	-	50,314	950,259	499,094
Telephone	172,908	293,461	305,804	281,916	5,265	1,059,354	131,535	144,557	1,909	146,466	1,205,820	1,199,851
Depreciation and amortization	361,078	207,702	12,679	-	48,158	629,617	1,645,036	1,649,187	-	1,649,187	2,278,804	2,396,796
Insurance	365,566	600,356	782,826	271,811	9,577	2,030,136	3,450,293	3,597,915	3,789	3,601,704	5,631,840	2,170,723
Professional fees	141,304	685,383	404,381	387,306	149,182	1,767,556	4,173,966	4,533,771	545,333	5,079,104	6,846,660	6,202,122
Occupancy costs	266,172	891,161	2,323,701	8,469,107	44,661	11,994,802	144,463	381,971	-	381,971	12,376,773	16,513,487
Purchased services	-	7,575,626	115,092,874	1,291,676	13,534	123,973,710	18,000	135,612	-	135,612	124,109,322	154,756,139
Client related	144,287	1,341,786	4,060,605	12,981,337	48,002	18,576,017	1,244	1,119	60	1,179	18,577,196	18,767,087
Miscellaneous	190,466	1,045,179	162,128	688,021	553,332	2,639,126	363,311	387,337	45,212	432,549	3,071,675	2,590,814
Total operating expenses	\$ 11,689,973	30,373,894	141,595,154	98,783,149	1,385,462	283,827,632	20,526,657	25,882,313	1,452,654	27,334,967	311,162,599	348,383,604
	3.8%	9.8%	45.5%	31.7%	0.4%	91.2%		8.3%	0.5%	8.8%	100.0%	

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

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services					Supporting Services			Total Expenses	
	Residential Programs	Non-Residential Programs	Lead Agency	Workforce Development	Other Programs	Total	General and Administrative	Fundraising		Total
Operating expenses:										
Payroll and related expenses	\$ 7,902,842	14,102,967	19,342,232	77,866,985	334,195	119,549,221	13,687,703	932,183	14,619,886	134,169,107
Employee related	62,986	62,462	81,061	30,507	23,800	260,816	54,262	189	54,451	315,267
Training	26,675	282,643	11,381	335,183	21	655,903	26,503	3,260	29,763	685,666
Supplies and materials	289,735	577,905	280,646	890,601	21,201	2,060,088	447,893	56,583	504,476	2,564,564
Food	383,473	38,554	16,092	2,371	536	441,026	7	-	7	441,033
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
Travel	47,966	387,062	209,893	198,724	22,107	865,752	321,067	7,817	328,884	1,194,636
Vehicle	65,429	153,572	56,437	-	392	275,830	13,908	11,796	25,704	301,534
Repairs and maintenance	192,610	796,050	149,978	54,870	17,148	1,210,656	51,404	-	51,404	1,262,060
Utilities	233,367	77,436	67,717	42,088	21,906	442,514	56,580	-	56,580	499,094
Telephone	134,976	286,284	355,180	227,970	5,195	1,009,605	186,080	4,166	190,246	1,199,851
Depreciation and amortization	417,933	153,114	5,105	-	158,489	734,641	1,662,155	-	1,662,155	2,396,796
Insurance	323,046	540,849	741,133	193,547	18,376	1,816,951	349,801	3,971	353,772	2,170,723
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
Occupancy costs	58,535	983,314	2,611,333	12,421,222	33,700	16,108,104	405,383	-	405,383	16,513,487
Purchased services	-	7,259,587	146,494,254	729,041	259,407	154,742,289	13,850	-	13,850	154,756,139
Client related	152,419	1,336,143	4,421,042	12,829,364	28,088	18,767,056	31	-	31	18,767,087
Miscellaneous	77,969	815,384	121,452	472,076	564,602	2,051,483	473,344	65,987	539,331	2,590,814
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
	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 Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (3,333,844)	12,792,602
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,278,804	2,396,796
Unrealized and realized (gains) losses on investments	1,773,665	(1,279,717)
Gain on sale of property and equipment	(1,761,953)	(83,722)
Change in value of beneficial interest in perpetual trusts	4,970,227	(6,333,544)
(Increase) decrease in assets:		
Accounts and contributions receivable	(3,091,277)	2,087,151
Prepaid expenses	(45,210)	343,320
Other assets	151,049	(176,342)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,782,453	5,862,034
Deferred revenue	280,451	221,227
Obligation under earnout provision	(2,110,159)	(2,535,433)
Net cash provided by operating activities	894,206	13,294,372
Cash flows from investing activities:		
Purchases of property and equipment	(476,792)	(1,740,425)
Proceeds from the sale of property and equipment	2,535,571	106,133
Purchases of investments	(6,382,857)	(2,819,672)
Proceeds from the sale of investments	3,749,530	2,564,926
Net cash used in investing activities	(574,548)	(1,889,038)
Cash flows from financing activities:		
Advances under short-term note payable	3,000,000	-
Principal payments on long-term debt	(6,210,285)	(977,003)
Principal payments on capital lease obligations	(185,226)	(221,770)
Net cash used in financing activities	(3,395,511)	(1,198,773)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(3,075,853)	10,206,561
Cash, cash equivalents, and restricted cash at beginning of year	22,064,595	11,858,034
Cash, cash equivalents, and restricted cash at end of year	\$ 18,988,742	22,064,595
Cash, cash equivalents and restricted cash consist of:		
Cash and cash equivalents	\$ 17,937,963	20,571,856
Restricted cash	1,050,779	1,492,739
	\$ 18,988,742	22,064,595
Supplemental disclosures of cash flow information:		
Assets acquired under capital lease	\$ 298,186	347,687
Cash paid for interest	\$ 407,773	525,631

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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 services 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 six states and workforce development programs in the State of Arkansas. 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 certain funding 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, 2022 and 2021, 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 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 \$11,879,000 that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

(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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(h) 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.

(i) 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.

(j) 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.

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 for the years ended June 30, 2022 and 2021. Future amortization expense for the next five years and thereafter related to the identified intangible assets described above is expected to be \$1,304,384 in 2023; \$1,236,439 in 2024; \$844,706 in 2025; \$283,239 in 2026, \$283,239 in 2027 and \$1,280,213 thereafter.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(j) Other Intangible Assets - Continued

The gross carrying amounts and accumulated amortization of other intangibles as of June 30, 2022 and 2021 are as follows:

	2022		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Timber rights	\$ 132,549	49,707	132,549	43,080
Customer relationships	3,409,178	1,420,496	3,409,178	1,193,217
Non-competition agreement	666,000	388,500	666,000	222,000
Customer contracts	4,211,000	1,965,137	4,211,000	1,122,933
Proprietary software	56,000	43,556	56,000	24,890
Tradenname	740,000	115,111	740,000	65,779
Total	\$ 9,214,727	3,982,507	9,214,727	2,671,899

(k) 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, 2019 and thereafter.

(l) Donated Materials and Services

Eckerd Connects receives donated space, food commodities and certain supplies for use in its programs. Donated space is valued at commensurate rental rates for similar building space in each geographic area and totaled \$113,088 and \$140,096 for the years ended June 30, 2022 and 2021, respectively. Donated food and supplies are recorded at fair value in the consolidated financial statements at the date of receipt based on wholesale values that would be received for selling similar items in the United States and totaled \$160,610 and \$60,705 for the years ended June 30, 2022 and 2021, respectively. Donated space and materials are used in the Organization’s residential and non-residential programs including school-based prevention services. 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. There were no donated services received in either fiscal 2022 or 2021.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(m) 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.

(n) 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. The Organization also 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. Additionally, Eckerd and Odle contract with the U.S. Department of Labor to operate Job Corp Centers (JCC) in various states throughout the country under vendor agreements. JCC revenue is recognized over time as JCC services are provided based on cost plus and fixed payment contracts.

(o) Joint Venture Agreements

In 2021 and in 2022, Odle entered into two joint venture agreements with Aleut Operations, LLC, an unrelated third party, to contract with the U.S. Department of Labor (DOL) to serve as the operator of two Job Corp Centers. Under the terms of the joint venture agreements, Odle has a 49% interest in each joint venture and has recognized its share of the joint venture's revenue and expenses in the accompanying consolidated statements of activities.

(p) 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.

(q) Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2022 and 2021, was approximately \$979,000 and \$659,000, respectively.

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 Pronouncements**

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 consolidated statement 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.

In Fiscal 2022, Eckerd Connects adopted ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for fiscal years beginning after June 15, 2021. Under the new guidance, contributions of nonfinancial assets should be presented as a separate line apart from contributed cash other financial assets in the accompanying Consolidated Statements of Activities. Under the new guidance, the disclosure of contributions of nonfinancial assets should be disaggregated by category, include qualitative information about whether contributed nonfinancial assets were monetized or utilized during the reporting periods and, if monetized, include the Organization's policy about monetizing contributed nonfinancial assets, include a description of any donor-imposed restrictions on the use of contributed nonfinancial assets, and include a description of the valuation techniques used to arrive at fair value measurement in accordance with ASU Topic 820, *Fair Value Measurement*. The adoption of ASU 2020-07 had no effect on the Organization's consolidated financial statements except for certain expanded disclosures related to contributions of nonfinancial assets.

(t) **Reclassifications**

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform with the 2022 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, 2022, NFY provided total support to Eckerd Connects in the amount of \$2,041,796 and contributions receivable at June 30, 2022 totaled \$642,111 which is expected to be collected in fiscal 2023. 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 was collected in fiscal 2022.

(4) Investments

Investments are recorded at fair value and consist of the following at June 30, 2022 and 2021:

	2022		2021	
	Cost	Market	Cost	Market
Money market funds	\$ 787,654	787,654	1,158,287	1,158,287
U.S. government and agency obligations	2,488,581	2,329,996	2,007,371	2,026,102
Corporate bonds	1,075,787	975,796	1,032,142	1,084,986
Real estate investment trusts	300,000	303,199	-	-
Mutual funds	99,694	89,830	-	-
Common stock	6,022,076	6,733,273	3,809,772	6,090,711
	\$ 10,773,792	11,219,748	8,007,572	10,360,086

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, 2022 and 2021:

	2022	2021
Interest and dividend income - investments	\$ 323,096	326,021
Investment fees	(84,594)	(67,182)
Net realized and unrealized gains	(1,773,665)	1,279,717
	\$ (1,535,163)	1,538,556

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(5) Property and Equipment

Property and equipment at June 30, 2022 and 2021 is summarized as follows:

	<u>Estimated Life</u>	<u>2022</u>	<u>2021</u>
Land		\$ 2,227,782	2,242,616
Building and improvements	10 - 34 years	9,666,140	13,072,085
Furniture and equipment	3 - 10 years	5,091,084	5,127,446
Transportation equipment	4 - 5 years	2,009,138	1,948,262
Construction in progress		<u>432,133</u>	<u>441,483</u>
Total		19,426,277	22,831,892
Less accumulated depreciation		<u>(13,594,556)</u>	<u>(16,033,335)</u>
Net property and equipment		<u>\$ 5,831,721</u>	<u>6,798,557</u>

Depreciation expense for fiscal 2022 and 2021 was \$968,197 and \$1,086,189, respectively.

(6) 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, 2022 and 2021 was \$27,849,947 and \$32,820,174, respectively.

(7) 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, corporate and government bonds, real estate investment trusts, mutual funds and common stock.

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

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(7) Fair Value Measurement - Continued

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 methodologies used for the year ended June 30, 2022.

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, 2022 was as follows:

	<u>Total Fair Value</u>	<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, 2022:				
Assets:				
Money market funds	\$ 787,654	787,654	-	-
Fixed income:				
Corporate bonds	975,796	975,796	-	-
US government and agency obligations	2,329,996	2,329,996	-	-
Real estate investment trusts	303,199	303,199	-	-
Mutual funds	89,830	89,830	-	-
Common stock:				
Healthcare	1,141,216	1,141,216	-	-
Consumer staples	343,589	343,589	-	-
Information technology	1,378,509	1,378,509	-	-
Consumer discretionary	657,818	657,818	-	-
Industrials	986,479	986,479	-	-
Materials	187,432	187,432	-	-
Financials	1,036,011	1,036,011	-	-
Telecommunication	626,204	626,204	-	-
Utilities	232,701	232,701	-	-
Energy	126,668	126,668	-	-
Real estate	16,646	16,646	-	-
Total investments	11,219,748	11,219,748	-	-
Beneficial interest in perpetual trusts	27,849,947	-	-	27,849,947
	<u>\$ 39,069,695</u>	<u>11,219,748</u>	<u>-</u>	<u>27,849,947</u>
Liabilities:				
Obligation under earnout provision	\$ 729,408	-	-	729,408

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(7) Fair Value Measurement - Continued

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>		
		Level 1	Level 2	Level 3
As of June 30, 2021:				
Assets:				
Money market funds	\$ 1,158,287	1,158,287	-	-
Fixed income:				
Corporate bonds	1,084,986	1,084,986	-	-
US government and agency obligations	2,026,102	2,026,102	-	-
Common stock:				
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	-	-
Total investments	10,360,086	10,360,086	-	-
Beneficial interest in perpetual trusts	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

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 32,820,174	26,486,630
Change in value of beneficial interest in perpetual trusts	<u>(4,970,227)</u>	<u>6,333,544</u>
Ending balance	<u>\$ 27,849,947</u>	<u>32,820,174</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 which expires in Fiscal 2023.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) 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 (3.37% at June 30, 2022). There was no outstanding balance at June 30, 2022 and 2021. The amount which can be borrowed under the short-term borrowing arrangement was \$2,685,397 and \$2,741,043 as of June 30, 2022 and 2021, 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 SOFR plus 1.45% (2.53% at June 30, 2022) 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, 2022. As of June 31, 2022 and 2021 the outstanding balance on the line of credit was \$3,000,000 and \$0, respectively.

Odle also has a revolving line of credit (the "Odle line") for \$5 million with BBVA USA Bank which matures on July 3, 2022. The Odle line was renewed through March 31, 2023 subsequent to year end. The Odle line bears interest at LIBOR plus 1.5% (2.95% at June 30, 2022). There was no outstanding balance on the Odle line at June 30, 2022 or 2021. 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 \$814,603 and \$758,957 as of June 30, 2022 and 2021, 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 14.

(9) Leases

The Organization leases the majority of its facilities and equipment under operating lease agreements which expire at various dates through 2027. Security deposits related to such leases are included in other assets. Rent expense for the years ended June 30, 2022 and 2021 was approximately \$3,775,000 and \$3,895,000, 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 2027. 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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 1,615,173	1,316,987
Less accumulated amortization	<u>(1,034,376)</u>	<u>(837,333)</u>
	<u>\$ 580,797</u>	<u>479,654</u>

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(9) 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, 2022 are as follows:

	Capital Leases	Operating Leases	Total
<u>Year Ending June 30,</u>			
2023	\$ 222,309	1,566,706	1,789,015
2024	206,494	926,460	1,132,954
2025	155,759	347,361	503,120
2026	93,374	48,354	141,728
2027	38,513	2,952	41,465
Total minimum lease payments	716,449	2,891,833	3,608,282
Less amount representing interest	(56,182)		
Present value of lease payments	660,267		
Current portion of capital lease obligations	199,409		
Capital lease obligations, less current portion	\$ 460,858		

(10) Long Term Debt

Long term debt consists of the following at June 30, 2022 and 2021:

	2022	2021
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. Paid in full in fiscal 2022.	\$ -	6,210,285
Total long term debt	-	6,210,285
Less current installments	-	1,010,330
Long-term debt, excluding current installments	\$ -	5,199,955

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(10) 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 was secured by substantially all assets of Eckerd Connects and a mortgage on Eckerd Connects' corporate office building. The loan was paid in full during fiscal 2022.

(11) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2022</u>	<u>2021</u>
Subject to use restrictions:		
Adoption and foster care	\$ 19,522	104,315
Program operations	659,244	1,065,471
Success awards - scholarships	<u>483,981</u>	<u>461,277</u>
	1,162,747	1,631,063
To be held in perpetuity:		
Beneficial interest in perpetual trusts held by third parties:		
National Foundation for Youth	24,291,579	28,711,396
Richard J. Ross Trust	3,558,368	4,108,778
E-Nini-Hassee endowment	<u>100,481</u>	<u>-</u>
	<u>27,950,428</u>	<u>32,820,174</u>
	<u>\$ 29,113,175</u>	<u>34,451,237</u>

(12) Endowment Funds

Eckerd Connects' internally-controlled endowment net assets are comprised of investments held in a Board-designated endowment fund and one donor endowment received in fiscal 2022. Eckerd Connects' externally-controlled endowment net assets consist of its beneficial interest in two perpetual trusts administered by independent trustees.

Interpretation of Relevant Law

The Board of Directors has interpreted the wishes of donors and state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Eckerd Connects classifies net assets restricted by the donor in perpetuity as (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(12) **Endowment Funds - Continued**

Investment Return Objectives, Risk Parameters and Strategies

Eckerd Connects has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also preserving the purchasing power of those endowments over the long-term. The policies stipulate that the endowments should be managed as a long-term goal designed to maximize the returns without exposure to undue risk. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in account performance, the Organization will pursue a strategy seeking to exceed a benchmark return of a target portfolio consisting of 64% equity securities, 30% fixed income securities, 3% real estate investment trusts and 3% international holdings 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, 2022 and 2021 were as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
	<u> </u>	<u> </u>	<u> </u>
June 30, 2022:			
Board-designated endowment	\$ 11,169,851	-	11,169,851
Donor-restricted endowment	-	100,481	100,481
Beneficial interest in perpetual trusts	<u>-</u>	<u>27,849,947</u>	<u>27,849,947</u>
	<u>\$ 11,169,851</u>	<u>27,950,428</u>	<u>39,120,279</u>
June 30, 2021:			
Board-designated endowment	\$ 10,406,665	-	10,406,665
Beneficial interest in perpetual trusts	<u>-</u>	<u>32,820,174</u>	<u>32,820,174</u>
	<u>\$ 10,406,665</u>	<u>32,820,174</u>	<u>43,226,839</u>

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(12) Endowment Funds - Continued

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
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	10,406,665	32,820,174	43,226,839
Net investment income	238,139	345	238,484
Net depreciation	(1,763,801)	(9,864)	(1,773,665)
Deposits	2,294,845	110,000	2,404,845
Withdrawals	(5,997)	-	(5,997)
Change in value of beneficial interest in perpetual trusts	-	(4,970,227)	(4,970,227)
Balances at June 30, 2022	<u>\$ 11,169,851</u>	<u>27,950,428</u>	<u>39,120,279</u>

(13) Employee Benefit Plans

Flexible spending plan: Effective January 1, 1993, Eckerd Connects amended and restated its flexible spending plan which qualified as a cafeteria plan under Section 125 of the Internal Revenue Code. This plan is comprised of four different plans: the Eckerd Youth Alternatives, Inc. Flexible Spending Plan; the Eckerd Youth Alternatives, Inc. Health Care Reimbursement Plan; the Eckerd Youth Alternatives, Inc. Dependent Care Assistance Plan; and the Eckerd Youth Alternatives, Inc. Cafeteria Plan. This flexible spending plan is an unfunded plan, 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 2022 and 2021 totaled \$676,000 and \$899,100, respectively.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(13) 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 409(a) of the Internal Revenue Code. Total retirement plan expense recognized under the SERP for the years ended June 30, 2022 and 2021 was \$64,532 and \$58,989, respectively. The liability under the SERP as of June 30, 2022 and 2021 was \$64,532 and \$58,989, respectively.

(14) 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, 2022 and 2021, accrued estimated health insurance expense was approximately \$2,462,000 and \$1,215,000, respectively. For the years ended June 30, 2022 and 2021, estimated health insurance expense was \$10,680,948 and \$9,381,603, 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

(14) 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 \$500,000 subject to a \$1.4 million annual aggregate. Claims more than \$500,000 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 2022, the letter of credit was increased to \$784,603. The letter of credit is secured by investment securities as described in Note 8.

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, 2022 and 2021, no amounts for unpaid claims have been accrued for claims covered under the 2017 policies based on management’s estimate that all claims have been fully paid and will remain closed. Actual costs to settle all claims under the 2022 and 2021 workers’ compensation programs may differ from these estimates. At June 30, 2022 and 2021, a letter of credit has been issued for the benefit of this insurance carrier in the amount of \$30,000 and \$150,000, respectively, as collateral for payment of future claims. This letter of credit is secured by investment securities as described in Note 8.

Total workers’ compensation expense for the years ended June 30, 2022 and 2021 was \$1,128,343 and \$1,777,163, 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, 2022 and 2021, Eckerd Connects paid the insurer approximately \$306,000 and \$363,000 in claims deposits, respectively, and anticipates a nominal adjustment once actual wages have been audited and actual claims experience is determined. During fiscal 2022 and 2021, there were no amounts paid by Eckerd Connects for prior premium adjustments due to increasing wages during fiscal 2022 or 2021. 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

(15) 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.

Working in partnership with the Florida Department of Children and Families (DCF), Eckerd Community Alternatives (ECA) transitioned 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 \$52 million for the fiscal year ended June 30, 2022. Further, Eckerd Connects did not re-procure ECA Lead Agency services in Hillsborough County, Florida, and this contract expired effective June 30, 2022. The annual revenue from the expired contract was approximately \$96 million for the fiscal year ended June 30, 2022. On November 4, 2021, the Pinellas County Sheriff announced an investigation of child protection incidents in Pinellas County to coincide with the ECA contract transition. The Sheriff's Office never communicated directly with Eckerd Connects since the onset of the investigation. On September 2, 2022, local media reported that Pinellas County Sheriff's Office Sargent Amanda Sinni stated the investigation into Eckerd Connects was "inactive because right now we do not have any further leads to follow." Finally, on January 10, 2022, the Florida House of Representatives Public Integrity and Elections Committee (the Committee) announced an investigation into the administration of public dollars received by Eckerd Connects pursuant to 2021 legislation which provided a special appropriation to implement a pilot program to improve the safety and well-being of children in foster care. Management has fully cooperated and responded to all inquiries and requests for documentation from the Committee. Management does not believe the outcome of these investigations will have a material adverse effect on its consolidated financial statements. Annual Eckerd Connects operating revenue will be approximately \$165 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.

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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(16) 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, 2022 and 2021, 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, 2022, cash balances held by Eckerd Connects and its affiliates exceeded FDIC limits by approximately \$19.5 million.

(17) 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 8).

As of June 30, 2022 and 2021, the Organization’s financial assets available to meet general expenditures within one year were as follows:

	2022	2021
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 18,988,742	22,064,595
Accounts receivable	30,781,102	27,652,563
Contributions receivable	642,111	679,373
Investments	11,219,748	10,360,086
Beneficial interest in perpetual trusts	27,849,947	32,820,174
Total financial assets	89,481,650	93,576,791
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Cash for the benefit of Eckerd Connects’ clients	(1,050,779)	(1,492,739)
Donor restricted for specific purposes	(1,162,747)	(1,631,063)
Donor restricted endowment	(100,481)	-
Beneficial interest in perpetual trusts	(27,849,947)	(32,820,174)
Board-designations:		
Quasi-endowment	(11,169,851)	(10,406,665)
Financial assets available to meet cash needs for general expenditures within one year	\$ 48,147,845	47,226,150

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(18) Related Party Transactions

Eckerd Connects received contributions totaling \$38,738 and \$1,113,420 from Board members during the years ended June 30, 2022 and 2021, respectively.

(19) Subsequent Events and Management's Review

Management has evaluated subsequent events for potential recognition or disclosure through February 1, 2023, the date the consolidated financial statements were available to be issued. Effective November 30, 2022, the Board of Directors voted to dissolve Caring for Children, Inc. All of Caring for Children, Inc.'s programs will be operated under Eckerd Connects' umbrella of program services.

SUPPLEMENTARY FINANCIAL INFORMATION

ECKERD CONNECTS

Consolidating Statement of Financial Position

June 30, 2022

	<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>
Assets						
Current assets:						
Cash and cash equivalents	\$ 16,730,139	231,813	998,809	(22,798)	-	17,937,963
Restricted cash	1,050,779	-	-	-	-	1,050,779
Accounts receivable	15,730,629	585,504	395,180	14,069,688	101	30,781,102
Intercompany receivable	(3,354,233)	1,658,013	305,795	1,390,425	-	-
Contributions receivable	642,111	-	-	-	-	642,111
Other current assets	1,151,831	-	-	225,539	(101)	1,377,269
Total current assets	31,951,256	2,475,330	1,699,784	15,662,854	-	51,789,224
Investments	11,219,748	-	-	-	-	11,219,748
Investments in subsidiaries	11,138,566	-	-	-	(11,138,566)	-
Other assets	614,359	2,574	43,303	79,412	-	739,648
Property and equipment, net	5,810,965	-	-	20,756	-	5,831,721
Goodwill	1,950,964	909,293	-	-	-	2,860,257
Other intangible assets	5,232,220	-	-	-	-	5,232,220
Beneficial interest in perpetual trusts	27,849,947	-	-	-	-	27,849,947
Total assets	\$ 95,768,025	3,387,197	1,743,087	15,763,022	(11,138,566)	105,522,765
Liabilities and Net Assets						
Current liabilities:						
Short-term note payable	\$ 3,000,000	-	-	-	-	3,000,000
Current installments of capital lease obligations	199,409	-	-	-	-	199,409
Accounts payable and accrued expenses	20,258,518	44,158	62,465	7,967,495	-	28,332,636
Accrued pension expenses	1,212,461	-	-	-	-	1,212,461
Deferred revenue	914,468	-	-	-	-	914,468
Obligation under earnout provision	729,408	-	-	-	-	729,408
Total current liabilities	26,314,264	44,158	62,465	7,967,495	-	34,388,382
Capital lease obligations, less current portion	460,858	-	-	-	-	460,858
Total liabilities	26,775,122	44,158	62,465	7,967,495	-	34,849,240
Net assets:						
Without donor restrictions:						
Undesignated	28,923,728	3,343,039	1,466,771	7,795,527	(11,138,566)	30,390,499
Designated for long-term purposes	11,129,267	-	40,584	-	-	11,169,851
With donor restrictions	28,939,908	-	173,267	-	-	29,113,175
Total net assets	68,992,903	3,343,039	1,680,622	7,795,527	(11,138,566)	70,673,525
Total liabilities and net assets	\$ 95,768,025	3,387,197	1,743,087	15,763,022	(11,138,566)	105,522,765

See accompanying independent auditors' report.

ECKERD CONNECTS

Consolidating Statement of Activities

Year Ended June 30, 2022

	<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	\$ 235,797,996	3,157,150	1,306,249	67,135,210	-	307,396,605
Medicaid and third party insurance	4,387	-	1,060,815	-	-	1,065,202
Contributions	2,513,330	-	(806)	-	-	2,512,524
Gifts-in-kind	213,586	-	60,112	-	-	273,698
Interest and dividends, net of fees	238,139	-	-	18	-	238,157
Other revenue	2,163,012	-	(3,478)	38,973	(1,644,371)	554,136
Net assets released from restriction	<u>1,123,553</u>	<u>2,315</u>	<u>2,475</u>	<u>-</u>	<u>-</u>	<u>1,128,343</u>
	242,054,003	3,159,465	2,425,367	67,174,201	(1,644,371)	313,168,665
Operating expenses	<u>244,719,645</u>	<u>3,101,943</u>	<u>1,934,652</u>	<u>63,050,730</u>	<u>(1,644,371)</u>	<u>311,162,599</u>
Change in net assets without donor restrictions from operations	(2,665,642)	57,522	490,715	4,123,471	-	2,006,066
Other changes in net assets without donor restrictions:						
Unrealized and realized losses on investments	(1,763,801)	-	-	-	-	(1,763,801)
Equity in earnings of subsidiaries	4,178,678	-	-	-	(4,178,678)	-
Distributions paid to affiliate	-	-	-	(6,184,634)	6,184,634	-
Gain on sale of property and equipment	<u>1,760,346</u>	<u>-</u>	<u>1,607</u>	<u>-</u>	<u>-</u>	<u>1,761,953</u>
Change in net assets without donor restrictions	1,509,581	57,522	492,322	(2,061,163)	2,005,956	2,004,218
Net assets with donor restrictions:						
Grants and contributions	685,384	-	84,643	-	-	770,027
Interest and dividends, net of fees	345	-	-	-	-	345
Unrealized and realized gains on investments	(9,864)	-	-	-	-	(9,864)
Net assets released from restriction	(1,123,553)	(2,315)	(2,475)	-	-	(1,128,343)
Change in value of beneficial interest in perpetual trusts	<u>(4,970,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,970,227)</u>
Change in net assets with donor restrictions	<u>(5,417,915)</u>	<u>(2,315)</u>	<u>82,168</u>	<u>-</u>	<u>-</u>	<u>(5,338,062)</u>
Change in net assets	<u>\$ (3,908,334)</u>	<u>55,207</u>	<u>574,490</u>	<u>(2,061,163)</u>	<u>2,005,956</u>	<u>(3,333,844)</u>

See accompanying independent auditors' report.

ECKERD CONNECTS

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2022

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	\$ 17,502	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>44,070</u>	-
Total National School Breakfast Program			61,572	-
National School Lunch Program:	10.555			
Passed through from State of Florida Department of Education		01-0112	34,596	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>95,222</u>	-
Total National School Lunch Program			<u>129,818</u>	-
Total Child Nutrition Cluster			191,390	-
Emergency Food Assistance Program (Food Commodities):	10.569			
Passed through from State of Florida Department of Agriculture and Consumer Services		01-0112	4,616	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>2,632</u>	-
Total Emergency Food Assistance Program (Food Commodities)			<u>7,248</u>	-
Total U.S. Department of Agriculture			198,638	-
<i>U.S. Department of Education:</i>				
E-Rate:	84.000	n/a		
Passed through from Universal Service Administrative Company			<u>51,941</u>	-
Total E-Rate			51,941	-
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	<u>25,861</u>	-
Total Title I State Agency Program for Neglected and Delinquent Children and Youth			<u>25,861</u>	-
Total U.S. Department of Education			77,802	-
<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	167,684	-
Passed through from State of Florida Department of Children and Families		QJ511	<u>58,481</u>	-
Total Guardianship Assistance			226,165	-
Promoting Safe and Stable Families:	93.556			
Passed through from Brevard Family Partnership		SVP2101	150,432	-
Passed through from State of Florida Department of Children and Families		QJ3E0	1,821,938	1,765,115
Passed through from State of Florida Department of Children and Families		QJ511	<u>742,029</u>	<u>622,899</u>
Total Promoting Safe and Stable Families			2,714,399	2,388,014
<i>TANF Cluster:</i>				
Temporary Assistance for Needy Families:	93.558			
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	548,815	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-22-3583	303,419	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-22-3590	571,801	-
Passed through from State of California, County of San Luis Obispo		C009 - 2021	211,003	-
Passed through from Philadelphia Works		TW22-058	1,212,668	-
Passed through from Delaware County Workforce Development Board		6	69,630	-
Passed through from Pasco Hernando Workforce Board, Inc.		n/a	75,473	-
Passed through from State of Florida Department of Children and Families		QJ3E0	4,375,210	2,606,673
Passed through from State of Florida Department of Children and Families		QJ511	<u>2,447,813</u>	<u>980,081</u>
Total Temporary Assistance for Needy Families and TANF Cluster			9,815,832	3,586,754

(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
Grants to States for Access and Visitation Programs:	93.597			
Passed through from State of Florida Department of Children and Families		QJ511	\$ 20,327	20,327
Passed through from Brevard Family Partnership		SVP2101	8,799	-
Total Grants to States for Access and Visitation Programs			29,126	20,327
Chafee Education and Training Vouchers Program (ETV):	93.599			
Passed through from State of Florida Department of Children and Families		QJ3E0	58,703	-
Passed through from State of Florida Department of Children and Families		QJ511	103,253	-
Total Chafee Education and Training Vouchers Program (ETV)			161,956	-
Head Start:	93.600			
Direct federal award from U.S. Department of Health and Human Services - COVID		04HE00114001C6	239,471	-
Direct federal award from U.S. Department of Health and Human Services		04HP000404	1,283,302	-
Direct federal award from U.S. Department of Health and Human Services		04HP000169	5,327,426	-
Total Head Start			6,850,199	-
Adoption Incentive Payments:	93.603			
Passed through from State of Florida Department of Children and Families		QJ3E0	722,855	-
Passed through from State of Florida Department of Children and Families		QJ511	357,643	-
Total Adoption Incentive Payments			1,080,498	-
Basic Center Grant:	93.623			
Direct federal award from the U.S. Department of Health and Human Services		90CY7339-01-00	125,175	-
Total Basic Center Grant			125,175	-
Stephanie Tubbs Jones Child Welfare Services Program:	93.645			
Passed through from State of Florida Department of Children and Families		QJ3E0	1,946,799	1,230,958
Passed through from State of Florida Department of Children and Families		QJ511	824,520	396,086
Total Stephanie Tubbs Jones Child Welfare Services Program			2,771,319	1,627,044
Foster Care Title IV-E:	93.658			
Passed through from State of Florida Department of Children and Families		QJ3E0	15,831,179	5,786,475
Passed through from State of Florida Department of Children and Families		QJ511	7,931,109	1,965,811
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	582,636	-
Total Foster Care Title IV-E			24,344,924	7,752,286
Adoption Assistance:	93.659			
Passed through from State of Florida Department of Children and Families		QJ3E0	13,472,464	575,528
Passed through from State of Florida Department of Children and Families		QJ511	7,312,487	157,756
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	3,761	-
Total Adoption Assistance			20,788,712	733,284
Social Services Block Grant:	93.667			
Passed through from State of Florida Department of Children and Families		QJ3E0	3,351,989	-
Passed through from State of Florida Department of Children and Families		QJ511	3,345,408	-
Total Social Services Block Grant			6,697,397	-
Child Abuse and Neglect State Grants:	93.669			
Passed through from State of Florida Department of Children and Families		QJ3E0	77,000	50,343
Passed through from State of Florida Department of Children and Families		QJ511	59,571	40,029
Passed through from State of Florida Department of Children and Families		QJ003	328,240	-
Passed through from State of Florida Department of Children and Families		QJ007	374,920	-
Total Child Abuse and Neglect State Grants			839,731	90,372
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	1,136,504	569,113
Passed through from State of Florida Department of Children and Families		QJ511	582,364	171,383
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			1,718,868	740,496

(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	\$ 44,703	-
Passed through from State of Florida Department of Children and Families		QJ511	46,556	-
Total Medical Assistance Program			91,259	-
Total Medicaid Cluster			91,259	-
State Targeted Response to the Opioid Crisis Grants:	93.788			
Passed through from Central Florida Cares Health System		EKM-26	699,480	-
Total State Targeted Response to the Opioid Crisis Grants			699,480	-
Block Grant for the Prevention and Treatment of Substance Abuse:	93.959			
Passed through from Central Florida Cares Health System		EKM-26	2,419,102	-
Passed through from Central Florida Cares Health System		DFB24	150,000	-
Passed through from Lutheran Services Florida, Inc.		EYA-ME027	685,672	-
Total Block Grant for the Prevention and Treatment of Substance Abuse			3,254,774	-
Total U.S. Department of Health and Human Services			82,209,814	16,938,577
<i>U.S. Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17.258			
Passed through from Acadiana Workforce Solutions		20/21-WIOA ADW0820	595,251	-
Passed through from Appalachian Council on Government		21A295E3	609,622	-
Passed through from Appalachian Council on Government		21A995E3	42,421	-
Passed through from Appalachian Council on Government		20SR295E1	12,535	-
Passed through from Appalachian Council on Government		21LR895E1	31,471	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	893,437	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	281,145	-
Passed through from Cape Fear Council of Government		n/a	166,013	-
Passed through from Capital Area Workforce Development		EC0000000001475	470,360	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY21 - LOA - 06	14,298	-
Passed through from Denver Economic Development & Opportunity		202158634	1,544,186	-
Passed through from Durham Workforce Development Board		n/a	283,761	-
Passed through from Employ Baton Rouge		PY 2021-2022	94,994	-
Passed through from Employ Indy		P0506-RESEA-21-WOI	640,708	-
Passed through from Employ Indy		S0506-WCF-19-WOI	955,286	-
Passed through from Green Country Workforce		n/a	514,633	-
Passed through from Kansas Local Workforce Development Board		n/a	94,455	-
Passed through from Lower Savannah Workforce Development Area		1DAY697ED	672,974	-
Passed through from Lower Savannah Workforce Development Area		0DAY697ED	38,979	-
Passed through from Ocean County Workforce Development Board		017-818-6536	23,775	-
Passed through from Pee Dee Regional Council of Governments		1A50711	789,142	-
Passed through from Pee Dee Regional Council of Governments		0S50711	42,974	-
Passed through from Pee Dee Regional Council of Governments		1H50711	50,948	-
Passed through from Philadelphia Works		TW22-058	1,212,668	-
Passed through from San Joaquin County WorkNet		n/a	159,603	-
Passed through from Santee Lynches Workforce Development Board		214710E1	163,656	-
Passed through from Santee Lynches Workforce Development Board		214710E2	449,413	-
Passed through from Santee Lynches Workforce Development Board		n/a	18,022	-
Passed through from Shreveport One Stop Operator		n/a	90,614	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	54,420	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	110,835	-
Passed through from Workforce Investment Board of Southwest Missouri		n/a	201,958	-
Passed through from WorkSource Montgomery, Inc.		2019-0001	121,452	-
Passed through from State of California County of San Luis Obispo				
Department of Social Services		C014 - 2021	260,630	-
Passed through State of North Carolina City of Durham		n/a	89,294	-
Total WIOA Adult Program			11,795,933	-

(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			
Direct federal award from U.S. Department of Labor		72-050719	\$ 588,554	-
Passed through from Acadiana Workforce Solutions		20/21-WIOA ADW0820	869,790	-
Passed through from Appalachian Council on Government		21Y495E4	488,147	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	528,903	-
Passed through from Career Source Research Coast		20-002-YWS	736,087	-
Passed through from CareerSource Flagler Volusia		PY 2021-22 VOL	732,202	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY21 - LOA - 06	708,519	-
Passed through from Delaware County Workforce Development Board		6	69,630	-
Passed through from Denver Economic Development & Opportunity		n/a	65,375	-
Passed through from Durham Workforce Development Board		n/a	317,030	-
Passed through from Eastern Carolina Workforce Development Board		21-4040-40-6716-02/0	259,282	-
Passed through from Employ Indy		S0506-WCF-19-WOI	57,896	-
Passed through from First Coast Workforce Development Board		2021-2022-02 (O)	523,908	-
Passed through from Green Country Workforce		n/a	315,140	-
Passed through from Lower Savannah Workforce Development Area		0DAY697ED	38,979	-
Passed through from Lower Savannah Workforce Development Area		9N197ED	682,262	-
Passed through from Pasco Hernando Workforce Board, Inc.		40182	765,210	-
Passed through from Pee Dee Regional Council of Governments		1Y50711	459,776	-
Passed through from Santee Lynches Workforce Development Board		213610EC	285,880	-
Passed through from Philadelphia Works		YO22-019	345,242	-
Passed through from Philadelphia Works		22003	227,326	-
Passed through from San Joaquin County WorkNet		n/a	159,603	-
Passed through from Southern Indiana Works		n/a	8,728	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C022 - 2021	291,617	-
Passed through from State of Maryland Prince George County		2018CR-WDB-004	222,856	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	54,420	-
Passed through from State of New York Department of Youth and Community Development		90529	522,634	-
Passed through from State of New York Department of Youth and Community Development		90528	718,025	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-22-3590	571,801	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	242,019	-
Passed through from Workforce Investment Board of Southwest Missouri		n/a	342,539	-
Passed through from WorkSource Montgomery		EYA_OSY-FY22-002	125,860	-
Total WIOA Youth Activities			12,325,240	-
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from Acadiana Workforce Solutions		20/21-WIOA ADW0820	1,117,314	-
Passed through from Appalachian Council on Government		21D995E3	6,836	-
Passed through from Appalachian Council on Government		21D295E3	115,001	-
Passed through from Appalachian Council on Government		20SR295E1	12,535	-
Passed through from Appalachian Council on Government		21LR895E1	31,471	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	68,299	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	49,529	-
Passed through from Cape Fear Council of Government		n/a	166,013	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY21-LOA-06	29,097	-
Passed through from Denver Economic Development & Opportunity		202128634	333,051	-
Passed through from Denver Economic Development & Opportunity		202158634	297,033	-
Passed through from Durham Workforce Development Board		n/a	157,357	-
Passed through from Employ Indy		S0506-WCF-19-WOI	434,221	-
Passed through from Green Country Workforce		n/a	196,172	-
Passed through from Lower Savannah Workforce Development Area		1DW008	218,997	-
Passed through from Lower Savannah Workforce Development Area		0DAY697ED	38,979	-
Passed through from Pee Dee Regional Council of Governments		0S50711	42,974	-
Passed through from Pee Dee Regional Council of Governments		1N197ED	121,160	-
Passed through from Pee Dee Regional Council of Governments		1D50711	8,986	-
Passed through from Pee Dee Regional Council of Governments		1H50711	50,948	-
Passed through from Pee Dee Regional Council of Governments		1D50711	200,375	-
Passed through from Philadelphia Works		TW22-058	1,212,668	-
Passed through from Santee Lynches Workforce Development Board		214710E2	114,864	-
Passed through from Santee Lynches Workforce Development Board		n/a	18,022	-
Passed through from Southern Indiana Works		n/a	6,916	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C014 - 2021	175,759	-
Passed through from State of California County of San Luis Obispo Department of Social Services		n/a	56,235	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	54,420	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	110,835	-
Passed through from Workforce Investment Board of Southwest Missouri		n/a	22,665	-
Total WIOA Dislocated Worker Formula Grants			5,468,732	-
Total WIOA Cluster			\$ 29,589,905	-

(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
Unemployment Insurance Program:	17.225			
Passed through from Workforce Development Board of Western Missouri		20-21 R1 Staffing	\$ 334	-
Passed through from Workforce Development Board of Western Missouri		n/a	2,091	-
Total Unemployment Insurance Program			2,425	-
Reentry Employment Opportunities:	17.270			
Direct federal award from U.S. Department of Labor		PE-36547-21-60-A-12	546,357	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY21-LOA-06	14,269	-
Passed through from Appalachian Council on Government		20LRY495E1	36,383	-
Passed through from State of California County of San Luis Obispo Department of Social Services		n/a	4,680	-
Passed through from Delaware County Workforce Development Board		06-OSY-WIOA	33,290	-
Passed through from Delaware County Workforce Development Board		06-ISYT	137,153	-
Passed through from Denver Economic Development & Opportunity		202158634	43,893	-
Total Reentry Employment Opportunities			816,025	-
YouthBuild:	17.274			
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY21-LOA-06	260,811	-
Total YouthBuild			260,811	-
WIOA National Dislocated Worker Grants/WIA National Emergency Grants:	17.277			
Passed through from Appalachian Council on Government		20RR295E1	7,630	-
Passed through from Appalachian Council on Government		20SRY495E1	56,042	-
Passed through from State of Colorado County of Arapahoe		n/a	457,796	-
Passed through from Berkley Charleston Dorchester Council of Governments		n/a	2,395	-
Passed through from Pee Dee Regional Council of Governments		1H50711	23,011	-
Passed through from Santee Lynches Regional Council of Governments		2147100	1,320	-
Passed through from Denver Economic Development & Opportunity		202158634	180,797	-
Total WIOA National Dislocated Worker Grants/WIA National Emergency Grants			728,991	-
Total U.S. Department of Labor			31,398,157	-
Total Expenditures of Federal Awards - Eckerd Connects			\$ 113,884,411	16,938,577
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	\$ 485,300	-
Passed through State of North Carolina Department of Health and Human Services		42556	38,723	-
Total Promoting Safe and Stable Families			524,023	-
Basic Center Grant:	93.623			
Direct federal award from the U.S. Department of Health and Human Services		90CY7076-03	63,738	-
Total Basic Center Grant			63,738	-
Total U.S. Department of Health and Human Services			587,761	-
Total Expenditures of Federal Awards - Caring for Children			\$ 587,761	-

(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
Paxen, LLC:				
<i>U.S Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17.258			
Passed through from River Valley Regional Commission		AA307431755A13	\$ 154,547	-
Passed through from Coastal Workforce Services		2021-ECP-CM-01	217,601	-
Passed through from Macon-Bibb County Workforce Development Board		n/a	9,631	-
Total WIOA Adult Program			381,779	-
WIOA Youth Activities:	17.259			
Passed through from River Valley Regional Commission		AA407431755A13	202,533	-
Passed through from Southern Georgia Regional Commission		21-03	164,564	-
Passed through from Coastal Workforce Services		2020-ECP YS-GCM-03	28,339	-
Passed through from Coastal Workforce Services		18-0167-01-02	39,718	-
Passed through from Northeast Georgia Regional Commission		AA347632055113	209,902	-
Passed through from Macon-Bibb County Workforce Development Board		AA323611855A13	251,610	-
Passed through from Bibb County School District		n/a	18,284	-
Passed through from Northwest Georgia Regional Commission		01-21-20-0167	314,458	-
Passed through from Southwest Georgia Workforce Development Board		PY21-126-WIOA	377,036	-
Total WIOA Youth Activities			1,606,444	-
Total WIOA Cluster			1,988,223	-
Reentry Employment Opportunities:	17.270			
Passed through from River Valley Regional Commission		AA307431755A13	9,254	-
Total Reentry Employment Opportunities			9,254	-
WIOA National Dislocated Worker Grants/WIA National Emergency Grants:	17.277			
Passed through from River Valley Regional Commission		DW-34654-20-60-A-13	152	-
Passed through from Southern Georgia Regional Commission		20-10	1,159,733	-
Total WIOA National Dislocated Worker Grants/WIA National Emergency Grants			1,159,885	-
Total Expenditures of Federal Awards - Paxen, LLC			3,157,362	-
Total Expenditures of Federal Awards - All Entities			\$ 117,629,534	16,938,577

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:	60.074			
Direct state award from Department of Children and Families		QJ3E0	\$ 7,105,581	899,458
Direct state award from Department of Children and Families		QJ511	<u>2,647,445</u>	<u>120,309</u>
Total Out of Home Supports			9,753,026	1,019,767
CBC - Adoption Services:	60.076			
Direct state award from Department of Children and Families		QJ3E0	229,150	-
Direct state award from Department of Children and Families		QJ511	<u>12,470</u>	<u>-</u>
Total CBC - Adoption Services			241,620	-
Independent Living:	60.112			
Direct state award from Department of Children and Families		QJ3E0	259,595	-
Direct state award from Department of Children and Families		QJ511	<u>76,873</u>	<u>-</u>
Total Independent Living			336,468	-
CBC Sexually Exploited Children:	60.138			
Direct state award from Department of Children and Families		QJ3E0	<u>13,500</u>	<u>-</u>
Total CBC Sexually Exploited Children			13,500	-
Extended Foster Care Program:	60.141			
Direct state award from Department of Children and Families		QJ3E0	657,195	-
Direct state award from Department of Children and Families		QJ511	<u>218,778</u>	<u>-</u>
Total Extended Foster Care			875,973	-
CBC - Purchase of Therapeutic Services for Children:	60.183			
Direct state award from Department of Children and Families		QJ3E0	682,779	4,436
Direct state award from Department of Children and Families		QJ511	181,481	-
Passed through from Brevard County Partnership		SVP2101	<u>15,875</u>	<u>-</u>
Total CBC - Purchase of Therapeutic Services for Children			880,135	4,436
Guardianship Assistance Program:	60.210			
Direct state award from Department of Children and Families		QJ3E0	163,733	-
Direct state award from Department of Children and Families		QJ511	<u>50,154</u>	<u>-</u>
Total Guardianship Assistance Program			213,887	-
Total Department of Children and Families			12,314,609	1,024,203
<i>Department of Juvenile Justice:</i>				
Day Treatment Services:	80.021			
Direct state award from Department of Juvenile Justice		10591	2,489,329	-
Direct state award from Department of Juvenile Justice		10645	<u>1,833,164</u>	<u>-</u>
Total Day Treatment Services			4,322,493	-
Total Department of Juvenile Justice			<u>4,322,493</u>	<u>-</u>
Total Expenditures of State of Florida State Financial Assistance - Eckerd Connects			<u>\$ 16,637,102</u>	<u>1,024,203</u>

ECKERD CONNECTS

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

Year Ended June 30, 2022

(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, 2022. 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 \$7,248 for the year ended June 30, 2022. Eckerd Connects and its affiliates did not have Federal Insurance in force during the year ended June 30, 2022.

(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, 2022 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	\$ 61,572	-	-	61,572
10.555	National School Lunch Program	129,818	-	-	129,818
		191,390	-	-	191,390
10.569	Emergency Food Assistance Program (Food Commodities)	7,248	-	-	7,248
<i>WIOA Cluster:</i>					
17.258	WIOA Adult Program	11,795,933	-	381,779	12,177,712
17.259	WIOA Youth Activities	12,325,240	-	1,606,444	13,931,684
17.278	WIOA Dislocated Worker Formula Grants	5,468,732	-	-	5,468,732
		29,589,905	-	1,988,223	31,578,128
17.225	Unemployment Insurance Program	2,425	-	-	2,425
17.270	Reentry Employment Opportunities	816,025	-	9,254	825,279
17.274	YouthBuild	260,811	-	-	260,811
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	728,991	-	1,159,885	1,888,876
84.000	E-Rate	51,941	-	-	51,941
84.027	Special Education Grants to States	25,861	-	-	25,861
93.556	Promoting Safe and Stable Families	2,714,399	524,023	-	3,238,422
<i>TANF Cluster:</i>					
93.558	Temporary Assistance to Needy Families	9,815,832	-	-	9,815,832
93.090	Guardianship Assistance	226,165	-	-	226,165
93.597	Grants to States for Access and Visitation Programs	29,126	-	-	29,126
93.599	Chafee Education and Training Vouchers Program (ETV)	161,956	-	-	161,956
93.600	Head Start	6,850,199	-	-	6,850,199
93.603	Adoption Incentive Payments	1,080,498	-	-	1,080,498
93.623	Basic Center Grant	125,175	63,738	-	188,913
93.645	Stephanie Tubbs Jones Child Welfare Services Program	2,771,319	-	-	2,771,319
93.658	Foster Care Title IV-E	24,344,924	-	-	24,344,924
93.659	Adoption Assistance	20,788,712	-	-	20,788,712
93.667	Social Services Block Grant	6,697,397	-	-	6,697,397
93.669	Child Abuse and Neglect State Grants	839,731	-	-	839,731
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood	1,718,868	-	-	1,718,868
<i>Medicaid Cluster:</i>					
93.778	Medical Assistance Program	91,259	-	-	91,259
93.788	State Targeted Response to the Opioid Crisis Grants	699,480	-	-	699,480
93.959	Block Grant for the Prevention and Treatment of Substance Abuse	3,254,774	-	-	3,254,774
		<u>\$ 113,884,411</u>	<u>587,761</u>	<u>3,157,362</u>	<u>117,629,534</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, 2022, 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 February 1, 2023.

Report on 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.

Report on 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.

Mayer Hoffman McCann P.C.

February 1, 2023
St. Petersburg, Florida



Independent Auditors’ Report on Compliance for Each Major Federal Program and State 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

Opinion on Each Major Federal Program and State 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, 2022. Eckerd Connects’ major federal programs and state projects are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); 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*. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650 are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Organization 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 and state project. Our audit does not provide a legal determination of the Organization’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 the Organization’s federal programs and state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether to do with fraud or error, and express an opinion on the Organization'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 GAAS, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance 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. Noncompliance 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 the Organization's compliance with the requirements of each major program and state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization'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 the Organization'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 the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 Auditors' 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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

February 1, 2023
St. Petersburg, Florida

ECKERD CONNECTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

(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 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:

WIOA Cluster (AL No. 17.258, 17.259 and 17.278)
Block Grant for the Prevention and Treatment of Substance Abuse (AL No. 93.959)

Florida State Projects:

Out-of-Home Supports (CSFA No. 60.074)
Extended Foster Care Program (CSFA No. 60.141)
Day Treatment Services (CSFA No. 80.021)

7. The threshold for distinguishing Types A and B programs was \$3,000,000 for major federal programs 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 2021 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, 2022, and have issued our report thereon dated February 1, 2023.

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 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 February 1, 2023, 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.

February 1, 2023
St. Petersburg, Florida

