



Audited Financial Statements

June 30, 2023 and 2022

ECKERD CONNECTS

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AUDITED FINANCIAL STATEMENTS



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

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

Report on the 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, 2023, and 2022, 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, 2023 and 2022, 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.

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.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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 audit.
- 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 December 19, 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.

December 19, 2023
St. Petersburg, Florida

ECKERD CONNECTS

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 10,707,602	17,931,963
Restricted cash	-	1,050,779
Accounts receivable	22,184,729	26,245,400
Due from related parties	1,862,256	2,059,752
Contributions receivable	370,111	642,111
Other current assets	1,036,268	1,383,515
Total current assets	36,160,966	49,313,520
Investments	13,423,098	11,219,748
Other assets	517,964	691,321
Property and equipment, net	5,136,671	5,831,721
Right-of-use assets under operating leases	1,748,996	-
Right-of-use assets under finance leases	697,972	-
Goodwill	2,860,257	2,860,257
Other intangible assets	3,927,836	5,232,220
Beneficial interest in perpetual trusts	30,064,912	27,849,947
Total assets	\$ 94,538,672	102,998,734
Liabilities and Net Assets		
Current liabilities:		
Short-term note payable	\$ -	3,000,000
Current portion of operating lease liabilities	1,181,221	-
Current portion of finance lease liabilities	344,374	-
Current portion of capital lease obligations	-	199,409
Accounts payable and accrued expenses	14,698,311	25,808,605
Accrued pension expenses	1,262,892	1,212,461
Deferred revenue	632,213	914,468
Obligation under earnout provision	-	729,408
Total current liabilities	18,119,011	31,864,351
Operating lease liabilities, less current portion	583,246	-
Finance lease liabilities, less current portion	582,232	-
Capital lease obligations, less current portion	-	460,858
Total liabilities	19,284,489	32,325,209
Net assets:		
Without donor restrictions:		
Undesignated	30,897,748	30,390,499
Designated	12,941,960	11,169,851
Total net assets without donor restrictions	43,839,708	41,560,350
With donor restrictions	31,414,475	29,113,175
Total net assets	75,254,183	70,673,525
Total liabilities and net assets	\$ 94,538,672	102,998,734

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

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Operating support and revenue:				
Program revenues:				
Funding contracts	\$ 155,135,518	-	155,135,518	301,302,553
Medicaid and third party insurance	1,096,707	-	1,096,707	1,065,202
Contributions	2,926,309	-	2,926,309	2,512,524
Gifts-in-kind	537,502	-	537,502	273,698
Interest and dividends, net of fees	260,028	6,163	266,191	238,502
Equity in earnings of affiliates	2,110,144	-	2,110,144	1,654,858
Other revenue	1,313,561	-	1,313,561	552,964
Net assets released from restriction:				
Satisfaction of use restrictions	647,290	-	647,290	1,128,343
Total operating support and revenue	164,027,059	6,163	164,033,222	308,728,644
Operating expenses:				
Program services	142,032,067	-	142,032,067	279,387,284
Supporting services	21,328,800	-	21,328,800	27,334,949
Total operating expenses	163,360,867	-	163,360,867	306,722,233
Change in net assets from operations	666,192	6,163	672,355	2,006,411
Other changes:				
Unrealized and realized gains (losses) on investments	1,558,395	33,494	1,591,889	(1,773,665)
Gain on sale of property and equipment	54,771	-	54,771	1,761,953
Restricted grants and contributions	-	693,968	693,968	770,027
Change in value of beneficial interest in perpetual trusts	-	2,214,965	2,214,965	(4,970,227)
Net assets released from restrictions	-	(647,290)	(647,290)	(1,128,343)
Total other changes	1,613,166	2,295,137	3,908,303	(5,340,255)
Change in net assets	2,279,358	2,301,300	4,580,658	(3,333,844)
Net assets at beginning of year	41,560,350	29,113,175	70,673,525	74,007,369
Net assets at end of year	\$ 43,839,708	31,414,475	75,254,183	70,673,525

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Program revenues:			
Funding contracts	\$ 301,302,553	-	301,302,553
Medicaid and third party insurance	1,065,202	-	1,065,202
Contributions	2,512,524	-	2,512,524
Gifts-in-kind	273,698	-	273,698
Interest and dividends, net of fees	238,157	345	238,502
Equity in earnings of affiliates	1,654,858	-	1,654,858
Other revenue	552,964	-	552,964
Net assets released from restriction:			
Satisfaction of use restrictions	1,128,343	-	1,128,343
Total operating support and revenue	308,728,299	345	308,728,644
Operating expenses:			
Program services	279,387,284	-	279,387,284
Supporting services	27,334,949	-	27,334,949
Total operating expenses	306,722,233	-	306,722,233
Change in net assets from operations	2,006,066	345	2,006,411
Other changes:			
Unrealized and realized losses on investments	(1,763,801)	(9,864)	(1,773,665)
Gain on sale of property and equipment	1,761,953	-	1,761,953
Restricted grants and contributions	-	770,027	770,027
Change in value of beneficial interest in perpetual trust	-	(4,970,227)	(4,970,227)
Net assets released from restrictions	-	(1,128,343)	(1,128,343)
Total other changes	(1,848)	(5,338,407)	(5,340,255)
Change in net assets	2,004,218	(5,338,062)	(3,333,844)
Net assets at beginning of year	39,556,132	34,451,237	74,007,369
Net assets at end of year	\$ 41,560,350	29,113,175	70,673,525

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

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services					Supporting Services			Total	
	Residential Programs	Non-Residential Programs	Job Corps and Workforce Development	Other Programs	Total	General and Administrative	Fundraising	Total	2023	2022
	Operating expenses:									
Payroll and related expenses	\$ 8,722,662	15,343,060	62,392,678	118,962	86,577,362	11,488,068	229,306	11,717,374	98,294,736	116,231,306
Employee related	110,140	111,314	243,527	23,492	488,473	73,612	139	73,751	562,224	683,964
Training	28,308	528,413	184,235	1,019	741,975	79,836	-	79,836	821,811	796,521
Supplies and materials	201,705	696,402	3,482,491	46,933	4,427,531	70,976	899	71,875	4,499,406	4,966,589
Food	437,081	108,795	1,658,553	4,642	2,209,071	40	-	40	2,209,111	2,603,064
Technology	35,771	134,314	267,178	308,126	745,389	1,530,096	42,693	1,572,789	2,318,178	3,016,194
Travel	70,490	941,251	657,958	23,557	1,693,256	927,427	11,385	938,812	2,632,068	2,350,470
Vehicle	67,965	188,494	6,988	322	263,769	13,620	10,549	24,169	287,938	403,824
Repairs and maintenance	488,197	476,495	5,461,239	36	6,425,967	38,458	-	38,458	6,464,425	4,895,724
Utilities	259,301	89,596	2,421,684	28,535	2,799,116	70,827	-	70,827	2,869,943	3,069,124
Telephone	147,365	270,968	572,356	6,929	997,618	147,654	613	148,267	1,145,885	1,766,029
Depreciation and amortization	370,442	255,057	11,042	605	637,146	1,651,563	1,359	1,652,922	2,290,068	2,278,804
Insurance	502,567	986,073	908,910	14,995	2,412,545	411,986	3,645	415,631	2,828,176	6,016,377
Professional fees	147,082	139,740	473,536	328,567	1,088,925	3,247,610	32,741	3,280,351	4,369,276	7,037,212
Occupancy costs	264,358	876,994	698,099	72,050	1,911,501	202,949	-	202,949	2,114,450	4,741,836
Purchased services	7,680	9,141,841	4,656,084	7,600	13,813,205	334,191	-	334,191	14,147,396	127,333,881
Client related	136,436	1,247,016	11,302,830	16,457	12,702,739	4,932	-	4,932	12,707,671	14,749,397
Miscellaneous	64,007	703,720	795,972	532,780	2,096,479	654,718	46,908	701,626	2,798,105	3,781,917
Total operating expenses	\$ 12,061,557	32,239,543	96,195,360	1,535,607	142,032,067	20,948,563	380,237	21,328,800	163,360,867	306,722,233
	7.4%	19.7%	58.9%	0.9%	86.9%	12.8%	0.2%	13.1%	100.0%	

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

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services					Supporting Services			Total Expenses	
	Residential Programs	Non-Residential Programs	Lead Agency	Job Corps and Workforce Development	Other Programs	Total	General and Administrative	Fundraising		Total
Operating expenses:										
Payroll and related expenses	\$ 8,032,262	14,522,936	16,729,458	63,243,754	91,258	102,619,668	12,881,615	730,023	13,611,638	116,231,306
Employee related	92,112	80,078	88,752	335,474	36,976	633,392	50,150	422	50,572	683,964
Training	31,807	399,401	14,129	313,071	239	758,647	34,132	3,742	37,874	796,521
Supplies and materials	713,676	808,214	189,799	3,084,682	84,685	4,881,056	69,604	15,929	85,533	4,966,589
Food	361,361	112,128	37,552	2,091,853	170	2,603,064	-	-	-	2,603,064
Technology	95,340	91,270	853,213	320,379	243,796	1,603,998	1,344,464	67,732	1,412,196	3,016,194
Travel	39,458	828,993	295,766	982,409	29,295	2,175,921	151,910	22,639	174,549	2,350,470
Vehicle	84,958	206,184	62,942	5,468	91	359,643	28,317	15,864	44,181	403,824
Repairs and maintenance	284,534	597,320	108,025	3,865,895	4,623	4,860,397	35,327	-	35,327	4,895,724
Utilities	312,684	86,716	70,520	2,511,685	22,618	3,004,223	64,901	-	64,901	3,069,124
Telephone	172,908	293,461	305,804	842,143	5,265	1,619,581	144,539	1,909	146,448	1,766,029
Depreciation and amortization	361,078	207,702	12,679	-	48,158	629,617	1,649,187	-	1,649,187	2,278,804
Insurance	365,566	600,356	782,826	679,420	9,577	2,437,745	3,574,843	3,789	3,578,632	6,016,377
Professional fees	141,304	685,383	404,381	461,583	149,182	1,841,833	4,650,046	545,333	5,195,379	7,037,212
Occupancy costs	266,172	891,161	2,323,701	873,146	44,661	4,398,841	342,995	-	342,995	4,741,836
Purchased services	-	7,575,626	115,092,874	4,281,446	13,534	126,963,480	370,401	-	370,401	127,333,881
Client related	144,287	1,341,786	4,060,605	9,153,538	48,002	14,748,218	1,119	60	1,179	14,749,397
Miscellaneous	190,466	1,045,179	162,128	1,296,855	553,332	3,247,960	488,745	45,212	533,957	3,781,917
Total operating expenses	\$ 11,689,973	30,373,894	141,595,154	94,342,801	1,385,462	279,387,284	25,882,295	1,452,654	27,334,949	306,722,233
	3.8%	9.9%	46.2%	30.8%	0.5%	91.1%	8.4%	0.5%	8.9%	100.0%

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

ECKERD CONNECTS

Consolidated Statements of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 4,580,658	(3,333,844)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,290,068	2,278,804
Non-cash lease expense	1,610,167	-
Unrealized and realized (gains) losses on investments	(1,591,889)	1,773,665
Gain on sale of property and equipment	(54,771)	(1,761,953)
Change in value of beneficial interest in perpetual trusts	(2,214,965)	4,970,227
(Increase) decrease in assets:		
Accounts and contributions receivable	4,332,671	1,407,163
Due from related parties	197,496	(2,059,752)
Other assets	520,604	180,282
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,059,863)	(741,578)
Deferred revenue	(282,255)	280,451
Operating lease liabilities	(1,518,265)	-
Obligation under earnout provision	(729,408)	(2,110,159)
Net cash provided by (used in) operating activities	(3,919,752)	883,306
Cash flows from investing activities:		
Purchases of property and equipment	(463,084)	(476,792)
Proceeds from the sale of property and equipment	48,826	2,535,571
Purchases of investments	(5,802,800)	(6,382,857)
Capital paid into equity method investments	-	4,900
Proceeds from the sale of investments	5,191,339	3,749,530
Net cash used in investing activities	(1,025,719)	(569,648)
Cash flows from financing activities:		
Advances (repayments) under short-term note payable	(3,000,000)	3,000,000
Principal payments on long-term debt	-	(6,210,285)
Principal payments on finance lease obligations	(329,669)	(185,226)
Net cash used in financing activities	(3,329,669)	(3,395,511)
Net decrease in cash, cash equivalents, and restricted cash	(8,275,140)	(3,081,853)
Cash, cash equivalents, and restricted cash at beginning of year	18,982,742	22,064,595
Cash, cash equivalents, and restricted cash at end of year	\$ 10,707,602	18,982,742
Cash, cash equivalents and restricted cash consist of:		
Cash and cash equivalents	\$ 10,707,602	17,931,963
Restricted cash	-	1,050,779
	\$ 10,707,602	18,982,742
Supplemental disclosures of cash flow information:		
Additions to right-of-use assets obtained from operating leases	\$ 354,721	298,186
Additions to right-of-use assets obtained from finance leases	\$ 596,008	-
Additions to operating lease right-of-use assets and operating lease liabilities recognized from the adoption of ASC 842	\$ 2,928,011	-
Additions to finance lease right-of-use assets reclassified from property and equipment, net from the adoption of ASC 842	\$ 570,693	-
Cash paid for interest	\$ 131,143	407,773

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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 is 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. Effective November 30, 2022, Caring for Children was dissolved and Eckerd Connects took over operation of all of its programs.

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

(1) **Description of Organization and Nature of Activities - Continued**

Between 2018 and 2022, Odle entered into two joint venture agreements with Aleut Operations, LLC, an unrelated third party. In connection with these agreements, Aleut-Odle Training and Development, JV and Aleut-Odle Training and Development 2, LLC were formed to jointly bid upon and perform as the joint operators of any Job Corp Centers contract awarded by the U.S. Department of Labor (“DOL”) under the Small Business Administration Certified Mentor-Protégé program. Odle has a 49% interest in each operating entity. As a result of the transaction, Odle has the ability to exercise significant influence in the affiliates and accounts for its 49% financial interest in each entity as equity method investments. At June 30, 2023 and 2022, the Organization’s investments under the equity method were \$9,800, which is included in other assets in the accompanying consolidated statements of financial position.

(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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(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.

(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, 2023 and 2022, 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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(f) Contributions - Continued

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 \$18,847,000 that have not been recognized at June 30, 2023 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.

(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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(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 former, 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 \$1,304,384 for the years ended June 30, 2023 and 2022. Future amortization expense for the next five years and thereafter related to the identified intangible assets described above is expected to be \$1,236,439 in 2024; \$844,706 in 2025; \$283,239 in 2026, \$283,239 in 2027, \$283,239 in 2028 and \$996,974 thereafter.

The gross carrying amounts and accumulated amortization of other intangibles as of June 30, 2023 and 2022 are as follows:

	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Timber rights	\$ 132,549	56,334	132,549	49,707
Customer relationships	3,409,178	1,647,775	3,409,178	1,420,496
Non-competition agreement	666,000	555,000	666,000	388,500
Customer contracts	4,211,000	2,807,333	4,211,000	1,965,137
Proprietary software	56,000	56,000	56,000	43,556
Tradename	740,000	164,449	740,000	115,111
Total	\$ 9,214,727	5,286,891	9,214,727	3,982,507

(k) 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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(l) Income Taxes

Eckerd Connects and its affiliate, Caring for Children, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the provisions of the Florida and North Carolina Statutes. The Internal Revenue Code provides for taxation of unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The Organization does not believe it has any material income tax exposure relating to uncertain tax positions as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*. The Organization’s income tax filings remain subject to examination for the fiscal year ended June 30, 2020 and thereafter.

(m) 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 \$208,380 and \$113,088 for the years ended June 30, 2023 and 2022, 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 \$329,122 and \$160,610 for the years ended June 30, 2023 and 2022, 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 2023 or 2022.

(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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(o) 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.

(p) Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2023 and 2022, was approximately \$367,000 and \$979,000, respectively.

(q) Leases

The Organization leases office space, vehicles, and certain office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities on the accompanying consolidated statements of financial position. Finance leases are included in finance lease ROU assets and financing lease liabilities on the accompanying consolidated statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization’s leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise the option. The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(s) Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform with the 2023 presentation.

(t) Recent Accounting Pronouncement

In February 2016, the FASB issued guidance under ASC Topic 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC Topic 840.

The Organization elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard; (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance; or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new leasing accounting guidance, the Organization recognized on July 1, 2022, a lease liability at the carrying amount of the capital lease obligations on June 30, 2022, of \$660,267 and ROU assets at the carrying amount of the capital lease assets of \$570,693. The Organization also recognized on July 1, 2022, operating lease liabilities of \$2,928,876, which represent the present value of the remaining operating lease payments of \$3,030,618 discounted using risk-free rates of return ranging from 0.04% to 5.54%, and ROU assets of \$2,928,011, which represents the operating lease liability adjusted for prepaid rents and unamortized deferred lease incentives. The adoption of the new lease accounting guidance had no effect on the Organization's net assets as of July 1, 2022.

The standard had an impact on the Organization's consolidated statement of financial position as of June 30, 2023 but did not have an impact on the Organization's consolidated statements of activities or cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for the Organization's finance leases remained substantially unchanged. See Note 9 for further information on the Organization's leases.

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, 2023, NFY provided total support to Eckerd Connects in the amount of \$2,538,496 and contributions receivable at June 30, 2023 totaled \$370,111 which is expected to be collected in fiscal 2024. 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 was collected in fiscal 2023.

(4) Investments

Investments are recorded at fair value and consist of the following at June 30, 2023 and 2022:

	2023		2022	
	Cost	Market	Cost	Market
Money market funds	\$ 656,170	656,170	787,654	787,654
U.S. government and agency obligations	2,295,518	2,142,783	2,488,581	2,329,996
Corporate bonds	1,151,073	1,052,577	1,075,787	975,796
Real estate investment trusts	300,000	295,491	300,000	303,199
Mutual funds	533,253	557,123	99,694	89,830
Common stock	6,755,441	8,718,954	6,022,076	6,733,273
	\$ 11,691,455	13,423,098	10,773,792	11,219,748

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, 2023 and 2022:

	2023	2022
Interest and dividend income - investments	\$ 350,637	323,096
Investment fees	(84,446)	(84,594)
Net realized and unrealized gains (losses)	1,591,889	(1,773,665)
	\$ 1,858,080	(1,535,163)

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(5) Property and Equipment

Property and equipment at June 30, 2023 and 2022 is summarized as follows:

	<u>Estimated Life</u>	<u>2023</u>	<u>2022</u>
Land		\$ 2,227,783	2,227,782
Building and improvements	10 - 34 years	9,793,062	9,666,140
Furniture and equipment	3 - 10 years	5,191,055	5,091,084
Transportation equipment	5 years	508,975	2,009,138
Construction in progress		646,119	432,133
Total		18,366,994	19,426,277
Less accumulated depreciation		<u>(13,230,323)</u>	<u>(13,594,556)</u>
Net property and equipment		<u>\$ 5,136,671</u>	<u>5,831,721</u>

Depreciation expense for fiscal 2023 and 2022 was \$593,386 and \$968,197, 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, 2023 and 2022 was \$30,064,912 and \$27,849,947, 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, 2023.

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, 2023 was as follows:

	Total Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
As of June 30, 2023:				
Assets:				
Money market funds	\$ 656,170	656,170	-	-
Fixed income:				
Corporate bonds	1,052,577	1,052,577	-	-
US government and agency obligations	2,142,783	2,142,783	-	-
Real estate investment trusts	295,491	295,491	-	-
Mutual funds	557,123	557,123	-	-
Common stock:				
Healthcare	1,277,308	1,277,308	-	-
Consumer staples	470,007	470,007	-	-
Information technology	1,710,526	1,710,526	-	-
Consumer discretionary	1,039,700	1,039,700	-	-
Industrials	1,187,480	1,187,480	-	-
Materials	190,036	190,036	-	-
Financials	1,286,458	1,286,458	-	-
Telecommunication	998,072	998,072	-	-
Utilities	255,030	255,030	-	-
Energy	203,438	203,438	-	-
Real estate	100,332	100,332	-	-
Equities blend	567	567	-	-
	<u>13,423,098</u>	<u>13,423,098</u>	<u>-</u>	<u>-</u>
Total investments	13,423,098	13,423,098	-	-
Beneficial interest in perpetual trusts	30,064,912	-	-	30,064,912
	<u>\$ 43,488,010</u>	<u>13,423,098</u>	<u>-</u>	<u>30,064,912</u>

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, 2022 was as follows:

	Total Fair Value	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
As of June 30, 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	-	-
	<u>11,219,748</u>	<u>11,219,748</u>	<u>-</u>	<u>-</u>
Total investments	11,219,748	11,219,748	-	-
Beneficial interest in perpetual trusts	<u>27,849,947</u>	<u>-</u>	<u>-</u>	<u>27,849,947</u>
	<u>\$ 39,069,695</u>	<u>11,219,748</u>	<u>-</u>	<u>27,849,947</u>
Liabilities:				
Obligation under earnout provision	<u>\$ 729,408</u>	<u>-</u>	<u>-</u>	<u>729,408</u>

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 27,849,947	32,820,174
Change in value of beneficial interest in perpetual trusts	<u>2,214,965</u>	<u>(4,970,227)</u>
Ending balance	<u>\$ 30,064,912</u>	<u>27,849,947</u>

The other Level 3 fair value measurement was for the obligation under the earnout provision associated with the Odle acquisition and was based on a fair value estimate of the likely contingent consideration that will be paid over the earnout period which expired in 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 SOFR (5.16% at June 30, 2023) plus 2.25% or 7.412% at June 30, 2023. There was no outstanding balance at June 30, 2023 and 2022. The amount which can be borrowed under the short-term borrowing arrangement was \$6,087,369 and \$2,685,397 as of June 30, 2023 and 2022, 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% (6.624% at June 30, 2023) 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, 2023. As of June 30, 2023 and 2022 the outstanding balance on the line of credit was \$0 and \$3,000,000, respectively.

Odle also has a revolving line of credit (the “Odle line”) for \$4 million with PNC Bank which matures on March 31, 2024. The Odle line bears interest at SOFR plus 1.6% (6.17% at June 30, 2023). There was no outstanding balance on the Odle line at June 30, 2023 or 2022. 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 \$911,476 and \$814,603 as of June 30, 2023 and 2022, 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 13.

(9) Leases

The Organization has operating and finance leases of office space, vehicles and equipment. The leases have remaining lease terms ranging from 1 to 5 years. Leases with initial terms of 12 months or less are not recorded on the consolidated statement of financial position. Expense under these short-term leases is recognized on a straight-line basis over the lease term.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(9) Leases - Continued

The following summarizes the line items in the accompanying consolidated statements of financial position as of June 30, 2023:

Operating leases:	
Operating lease right-of-use assets	\$ <u>1,748,996</u>
Current portion of operating lease liabilities	\$ 1,181,221
Operating lease liabilities, less current portion	<u>583,246</u>
	<u>\$ 1,764,467</u>
Finance leases:	
Finance lease right-of-use assets	\$ <u>697,972</u>
Current portion of finance lease liabilities	\$ 344,374
Finance lease liabilities, less current portion	<u>582,232</u>
	<u>\$ 926,606</u>

The weighted average lease terms and discount rates as of June 30, 2023 are as follows:

Weighted average remaining lease terms:	
Operating leases	1.7 years
Finance leases	3.1 years
Weighted average discount rates:	
Operating leases	2.89%
Finance leases	3.87%

The components of lease costs under operating and finance leases for the year ended June 30, 2023 include the following:

Operating lease cost	\$ 1,594,746
Short-term leases	158,582
Variable lease costs	<u>131,961</u>
Total lease costs	<u>\$ 1,885,289</u>
Finance lease costs:	
Amortization of lease assets included in depreciation and amortization expense	\$ 392,298
Interest on lease liabilities included in interest expense	<u>36,483</u>
	<u>\$ 428,781</u>

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(9) Leases - Continued

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	1,581,196
Operating cash flows from finance leases		36,483
Financing cash flows from finance leases		329,669
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$	354,721
Finance leases		596,008

The maturities of lease liabilities as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 1,212,285	373,267
2025	485,044	291,791
2026	104,414	180,747
2027	3,455	108,179
2028	-	27,737
Thereafter	-	1,701
Total payments	1,805,198	983,422
Less interest	(40,731)	(56,816)
Present value of lease liabilities	\$ 1,764,467	926,606

Rent expense for the year ended June 30, 2022 was approximately \$3,775,000. The gross amount of equipment held under capital leases and the related accumulated amortization recorded under capital leases as of June 30, 2022 was \$1,615,173 and \$1,044,480, 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.

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 were as follows:

Year Ending June 30,	Capital Leases	Operating Leases	Total
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) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	2023	2022
Subject to use restrictions:		
Adoption and foster care	\$ -	19,522
Program operations	410,166	659,244
Success awards - scholarships	417,759	483,981
	827,925	1,162,747
To be held in perpetuity:		
Beneficial interest in perpetual trusts:		
National Foundation for Youth	26,370,032	24,291,579
Richard J. Ross Trust	3,694,880	3,558,368
E-Nini-Hassee endowment	521,638	100,481
	30,586,550	27,950,428
	\$ 31,414,475	29,113,175

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(11) 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.

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 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.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(11) Endowment Funds - Continued

Investment Return Objectives, Risk Parameters and Strategies - Continued

Endowment net asset composition by type of fund at June 30, 2023 and 2022 were as follows:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
June 30, 2023:			
Board-designated endowment	\$ 12,941,960	-	12,941,960
Donor-restricted endowment	-	521,638	521,638
Beneficial interest in perpetual trusts	-	30,064,912	30,064,912
	<u>\$ 12,941,960</u>	<u>30,586,550</u>	<u>43,528,510</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	-	27,849,947	27,849,947
	<u>\$ 11,169,851</u>	<u>27,950,428</u>	<u>39,120,279</u>

Changes in endowment net assets for the years ended June 30, 2023 and 2022 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, 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	11,169,851	27,950,428	39,120,279
Net investment income	176,367	6,163	182,530
Net appreciation	1,558,395	33,494	1,591,889
Deposits	507,803	381,500	889,303
Withdrawals	(470,456)	-	(470,456)
Change in value of beneficial interest in perpetual trusts	-	2,214,965	2,214,965
Balances at June 30, 2023	<u>\$ 12,941,960</u>	<u>30,586,550</u>	<u>43,528,510</u>

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(12) 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 January 2022, 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 2023 and 2022 totaled \$1,013,000 and \$963,000, respectively.

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, 2023 and 2022 was \$58,435 and \$64,532, respectively. The liability under the SERP as of June 30, 2023 and 2022 was \$58,435 and \$64,532, respectively.

(13) 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, 2023 and 2022, accrued estimated health insurance expense was approximately \$2,109,000 and \$2,462,000, respectively. For the years ended June 30, 2023 and 2022, estimated health insurance expense was approximately \$12,248,000 and \$10,681,000, respectively. Actual claims expense may differ from these estimates.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(13) Contingencies Under Insurance and State Unemployment Programs - Continued

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.

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 2023, the letter of credit was increased to \$881,476. 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, 2023 and 2022, 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 2023 and 2022 workers’ compensation programs may differ from these estimates. At June 30, 2023 and 2022, a letter of credit has been issued for the benefit of this insurance carrier in the amount of \$30,000 and \$30,000, 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, 2023 and 2022 was approximately \$806,000 and \$1,068,000, respectively.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(13) Contingencies Under Insurance and State Unemployment Programs - Continued

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, 2023 and 2022, Eckerd Connects paid the insurer approximately \$355,000 and \$473,000 in claims deposits, respectively, and anticipates a nominal adjustment once actual wages have been audited and actual claims experience is determined. During fiscal 2023 and 2022, there were no amounts paid by Eckerd Connects for prior premium adjustments due to increasing wages during fiscal 2023 or 2022. While actual claims expense may differ from these estimates, management does not believe any material liability exists with respect to this program.

(14) 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 was approximately \$164 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

Notes to Consolidated Financial Statements - Continued

(14) Other Contingencies - Continued

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.

(15) 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, 2023 and 2022, 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, 2023, cash balances held by Eckerd Connects and its affiliates exceeded FDIC limits by approximately \$11.9 million.

(16) 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).

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(16) Liquidity and Availability of Resources - Continued

As of June 30, 2023 and 2022, the Organization's financial assets available to meet general expenditures within one year were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 10,707,602	18,982,742
Accounts receivable	24,046,985	28,305,152
Contributions receivable	370,111	642,111
Investments	13,423,098	11,219,748
Beneficial interest in perpetual trusts	<u>30,064,912</u>	<u>27,849,947</u>
Total financial assets	78,612,708	86,999,700
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)
Donor restricted for specific purposes	(827,925)	(1,162,747)
Donor restricted endowment	(521,638)	(100,481)
Beneficial interest in perpetual trusts	(30,064,912)	(27,849,947)
Board-designations:		
Quasi-endowment	<u>(12,941,960)</u>	<u>(11,169,851)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 34,256,273</u>	<u>45,665,895</u>

(17) Related Party Transactions

Eckerd Connects received contributions totaling approximately \$415,000 and \$39,000 from Board members during the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, amounts due from Aleut-Odle Training and Development, JV and Aleut-Odle Training and Development 2, LLC totaled \$1,862,256 and \$2,059,752, respectively.

(18) Subsequent Events and Management's Review

Management has evaluated subsequent events for potential recognition or disclosure through December 19, 2023, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

ECKERD CONNECTS

Consolidating Statement of Financial Position

June 30, 2023

Assets	Eckerd Connects	Paxen, LLC	Caring for Children, Inc.	Odle Management Group, LLC	Eliminations	Consolidated Total
Current assets:						
Cash and cash equivalents	\$ 5,948,715	1,202,710	-	3,556,177	-	10,707,602
Accounts receivable	14,869,388	697,118	-	6,618,223	-	22,184,729
Due from related parties	-	-	-	1,862,256	-	1,862,256
Intercompany receivable	(934,983)	504,326	-	430,657	-	-
Contributions receivable	370,111	-	-	-	-	370,111
Other current assets	964,194	12,108	-	59,966	-	1,036,268
Total current assets	21,217,425	2,416,262	-	12,527,279	-	36,160,966
Investments	13,423,098	-	-	-	-	13,423,098
Investments in subsidiaries	11,418,322	-	-	-	(11,418,322)	-
Other assets	499,668	2,150	-	16,146	-	517,964
Property and equipment, net	5,118,744	-	-	17,927	-	5,136,671
Right-of-use assets under operating leases	1,397,341	109,128	-	242,527	-	1,748,996
Right-of-use assets under finance leases	371,690	-	-	326,282	-	697,972
Goodwill	1,950,964	909,293	-	-	-	2,860,257
Other intangible assets	3,927,836	-	-	-	-	3,927,836
Beneficial interest in perpetual trusts	30,064,912	-	-	-	-	30,064,912
Total assets	\$ 89,390,000	3,436,833	-	13,130,161	(11,418,322)	94,538,672
Liabilities and Net Assets						
Current liabilities:						
Current portion of operating lease liabilities	\$ 894,949	61,108	-	225,164	-	1,181,221
Current portion of finance lease liabilities	250,614	2,025	-	91,735	-	344,374
Accounts payable and accrued expenses	10,246,818	40,906	-	4,410,587	-	14,698,311
Accrued pension expenses	1,262,892	-	-	-	-	1,262,892
Deferred revenue	632,213	-	-	-	-	632,213
Total current liabilities	13,287,486	104,039	-	4,727,486	-	18,119,011
Operating lease liabilities, less current portion	515,389	48,088	-	19,769	-	583,246
Finance lease liabilities, less current portion	332,942	-	-	249,290	-	582,232
Total liabilities	14,135,817	152,127	-	4,996,545	-	19,284,489
Net assets:						
Without donor restrictions:						
Undesignated	30,897,748	3,284,706	-	8,133,616	(11,418,322)	30,897,748
Designated for long-term purposes	12,941,960	-	-	-	-	12,941,960
With donor restrictions	31,414,475	-	-	-	-	31,414,475
Total net assets	75,254,183	3,284,706	-	8,133,616	(11,418,322)	75,254,183
Total liabilities and net assets	\$ 89,390,000	3,436,833	-	13,130,161	(11,418,322)	94,538,672

See accompanying independent auditors' report.

ECKERD CONNECTS

Consolidating Statement of Activities

Year Ended June 30, 2023

	<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	\$ 100,524,006	2,618,133	487,277	51,506,102	-	155,135,518
Medicaid and third party insurance	628,639	-	468,068	-	-	1,096,707
Contributions	2,926,309	-	-	-	-	2,926,309
Gifts-in-kind	496,105	-	41,397	-	-	537,502
Interest and dividends, net of fees	257,743	-	-	2,285	-	260,028
Equity in earnings of affiliates	-	-	-	2,110,144	-	2,110,144
Other revenue	1,291,015	-	144	22,402	-	1,313,561
Net assets released from restriction	437,446	5,500	204,344	-	-	647,290
	<u>106,561,263</u>	<u>2,623,633</u>	<u>1,201,230</u>	<u>53,640,933</u>	<u>-</u>	<u>164,027,059</u>
Operating expenses	<u>106,509,367</u>	<u>2,681,966</u>	<u>2,708,585</u>	<u>53,302,844</u>	<u>(1,841,895)</u>	<u>163,360,867</u>
Change in net assets without donor restrictions from operations	51,896	(58,333)	(1,507,355)	338,089	1,841,895	666,192
Other changes in net assets without donor restrictions:						
Unrealized and realized gains on investments	1,558,395	-	-	-	-	1,558,395
Equity in earnings of subsidiaries	279,756	-	-	-	(279,756)	-
Gain on sale of property and equipment	54,771	-	-	-	-	54,771
Change in net assets without donor restrictions	1,944,818	(58,333)	(1,507,355)	338,089	1,562,139	2,279,358
Net assets with donor restrictions:						
Grants and contributions	2,499,286	5,500	31,077	-	(1,841,895)	693,968
Interest and dividends, net of fees	6,163	-	-	-	-	6,163
Unrealized and realized gains on investments	33,494	-	-	-	-	33,494
Net assets released from restriction	(437,446)	(5,500)	(204,344)	-	-	(647,290)
Change in value of beneficial interest in perpetual trusts	2,214,965	-	-	-	-	2,214,965
Change in net assets with donor restrictions	<u>4,316,462</u>	<u>-</u>	<u>(173,267)</u>	<u>-</u>	<u>(1,841,895)</u>	<u>2,301,300</u>
Change in net assets	<u>\$ 6,261,280</u>	<u>(58,333)</u>	<u>(1,680,622)</u>	<u>338,089</u>	<u>(279,756)</u>	<u>4,580,658</u>

See accompanying independent auditors' report.

ECKERD CONNECTS

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2023

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	\$ 17,958	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>48,442</u>	-
Total National School Breakfast Program			66,400	-
National School Lunch Program:	10.555			
Passed through from State of Florida Department of Education		01-0112	51,654	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>109,046</u>	-
Total National School Lunch Program			<u>160,700</u>	-
Total Child Nutrition Cluster			227,100	-
Emergency Food Assistance Program (Food Commodities):	10.569			
Passed through from State of Florida Department of Agriculture and Consumer Services		01-0112	4,429	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>9,476</u>	-
Total Emergency Food Assistance Program (Food Commodities)			<u>13,905</u>	-
Total U.S. Department of Agriculture			241,005	-
<i>U.S. Department of Treasury:</i>				
Coronavirus Relief Fund Program:	21.019			
Passed through from Southern Indiana Works		n/a	<u>294,199</u>	-
Total U.S. Department of Treasury			294,199	-
<i>U.S. Environmental Protection Agency:</i>				
Diesel Emission Reduction Act (DERA) National Grants:	66.039			
Passed through from Workforce Investment Board of Southwest Missouri		n/a	<u>6,774</u>	-
Total U.S. Environmental Protection Agency			6,774	-
<i>U.S. Department of Education:</i>				
E-Rate:	84.000			
Passed through from Universal Service Administrative Company		n/a	<u>24,746</u>	-
Total E-Rate			24,746	-
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>45,484</u>	-
Total Title I State Agency Program for Neglected and Delinquent Children and Youth			<u>45,484</u>	-
Total U.S. Department of Education			70,230	-
<i>U.S. Department of Health and Human Services:</i>				
Temporary Assistance for Needy Families:	93.558			
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	685,517	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-23-3681	411,831	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-23-5707	477,756	-
Passed through from State of California, County of San Luis Obispo		C009 - 2022	327,248	-
Passed through from Philadelphia Works		TW22-058; 090-22-301-1	3,015,838	-
Passed through from Delaware County Workforce Development Board		6	72,178	-
Passed through from Pasco Hernando Workforce Board, Inc.		n/a	20,855	-
Passed through from Southern Indiana Works		n/a	349,369	-

(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
Temporary Assistance for Needy Families - Continued:	93.558			
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	\$ 27,958	-
Passed through from Lancaster County Workforce Development Board		22_EARN_WR_Eckerd	469,847	-
Total Temporary Assistance for Needy Families			5,858,397	-
<i>CCDF Cluster:</i>				
Child Care and Development Block Grant:	93.575			
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	11,129	-
Total Child Care and Development Block Grant and CCDF Cluster			11,129	-
<i>Head Start Cluster:</i>				
Head Start:	93.600			
Direct federal award from U.S. Department of Health and Human Services - COVID		04HE00114001C6	243,896	-
Direct federal award from U.S. Department of Health and Human Services		04HP000404	1,138,929	-
Direct federal award from U.S. Department of Health and Human Services		04HP000169	5,938,826	-
Total Head Start and Head Start Cluster			7,321,651	-
Foster Care Title IV-E:	93.658			
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	852,859	-
Total Foster Care Title IV-E			852,859	-
Adoption Assistance:	93.659			
Passed through from State of Kansas Department for Children and Families		PPS-2019-CPA-EYA-8	1,259	-
Total Adoption Assistance			1,259	-
Opioid STR:	93.788			
Passed through from Central Florida Cares Health System		EKM-26	754,800	-
Total Opioid STR			754,800	-
Block Grant for the Prevention and Treatment of Substance Abuse:	93.959			
Passed through from Central Florida Cares Health System		EKM-26	2,143,454	-
Passed through from Central Florida Cares Health System		DFB24	150,000	-
Passed through from Lutheran Services Florida, Inc.		EYA-ME027	652,666	-
Total Block Grant for the Prevention and Treatment of Substance Abuse			2,946,120	-
Total U.S. Department of Health and Human Services			17,746,215	-
<i>U.S Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17.258			
Passed through from Acadiana Workforce Solutions		WIOA ADW0820	838,959	-
Passed through from Appalachian Council on Government		22A295E4	489,682	-
Passed through from Appalachian Council on Government		21LR895E1	147,059	-
Passed through from Appalachian Council on Government		22EBA995E1	69,034	-
Passed through from Cape Fear Council of Government		2022-ECK-F-OSO	60,048	-
Passed through from Capital Area Workforce Development		EC0000000001475	139,435	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	14,821	-
Passed through from Denver Economic Development & Opportunity		202263587	1,228,975	-
Passed through from Durham Workforce Development Board		n/a	403,014	-
Passed through from Employ Baton Rouge		54722	31,287	-
Passed through from Employ Indy		S0506-WCF-19-WOI	596,404	-
Passed through from Green Country Workforce		AA-36340-21-55-A-40; AA-38550-22-55-A-40	305,306	-
Passed through from Guilford Works		n/a	806,240	-
Passed through from Kansas Local Workforce Development Board		n/a	78,648	-
Passed through from Lower Savannah Workforce Development Area		2AC97ED	653,944	-
Passed through from Lower Savannah Workforce Development Area		2DAY697ED	48,333	-
Passed through from Lower Savannah Workforce Development Area		22ADWBAED	4,502	-
Passed through from Pee Dee Regional Council of Governments		2AS0711	5,158	-
Passed through from Pee Dee Regional Council of Governments		2NS0711	800,512	-
Passed through from Pee Dee Regional Council of Governments		1DS0711	135,102	-
Passed through from Philadelphia Works		TW22-058; 090-22-301-1	452,376	-
Passed through from Philadelphia Works		n/a	129,225	-
Passed through from Santee Lynches Workforce Development Board		224710E1	54,201	-

(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>WIOA Cluster:</i>				
WIOA Adult Program - Continued:	17.258			
Passed through from Santee Lynches Workforce Development Board		224710E2	\$ 343,513	-
Passed through from Santee Lynches Workforce Development Board		224710E3	112,441	-
Passed through from Santee Lynches Workforce Development Board		214710E3	202,215	-
Passed through from Shreveport One Stop Operator		PY 2022-2023	31,044	-
Passed through from Southern Indiana Works		n/a	569,653	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	97,869	-
Passed through from Upper Savannah Council of Governments		n/a	64,811	-
Passed through from Virginia Career Works		n/a	524,610	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	183,146	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	172,889	-
Passed through from WorkSource Montgomery, Inc.		2019-0001	46,286	-
Passed through from State of California County of San Luis Obispo Department of Social Services		00006895	10,333	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C014 - 2022	376,368	-
Total WIOA Adult Program			10,227,443	-
<i>WIOA Youth Activities:</i>				
	17.259			
Passed through from Acadiana Workforce Solutions		WIOA Y0820	545,694	-
Passed through from Appalachian Council on Government		22Y495E1	381,492	-
Passed through from Appalachian Council on Government		20LRY495E1	37,716	-
Passed through from Appalachian Council on Government		22EBY495E1	55,077	-
Passed through from Cape Fear Council of Government		n/a	60,048	-
Passed through from Career Source Research Coast		20-002-YWS	723,736	-
Passed through from CareerSource Flagler Volusia		n/a	773,791	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	646,342	-
Passed through from Delaware County Workforce Development Board		6	87,143	-
Passed through from Denver Economic Development & Opportunity		202263587	591,580	-
Passed through from Denver Economic Development & Opportunity		22EBY04-GCWDB	2,667	-
Passed through from Denver Economic Development & Opportunity		72-050719-4	542,491	-
Passed through from Durham Workforce Development Board		17584	222,593	-
Passed through from Durham Workforce Development Board		n/a	33,318	-
Passed through from Eastern Carolina Workforce Development Board		21-4040-40-6716-02/03/08	336,713	-
Passed through from Employ Baton Rouge		54722	31,287	-
Passed through from First Coast Workforce Development Board		FCWD 2022-2023-02 (O)	512,485	-
Passed through from Green Country Workforce		AA-36340-21-55-A-40; AA-38550-22-55-A-40	200,844	-
Passed through from Lower Savannah Workforce Development Area		2DAY697ED	48,333	-
Passed through from Lower Savannah Workforce Development Area		2N197ED	539,403	-
Passed through from Lower Savannah Workforce Development Area		22YEBAED	45,213	-
Passed through from Pasco Hernando Workforce Board, Inc.		AA-3631321-55-A-12; AA-38523-22-55-A-12	882,587	-
Passed through from Pee Dee Regional Council of Governments		2Y5071I	443,250	-
Passed through from Pee Dee Regional Council of Governments		2E5071I	23,528	-
Passed through from Philadelphia Works		YO23-24	200,882	-
Passed through from Philadelphia Works		23059	91,902	-
Passed through from San Joaquin County WorkNet		A-21-168	362,219	-
Passed through from Santee Lynches Workforce Development Board		223610EC	338,174	-
Passed through from Santee Lynches Workforce Development Board		224710E1	54,201	-
Passed through from Santee Lynches Workforce Development Board		223610EC2	6,819	-
Passed through from Shreveport One Stop Operator		PY 2022-2023	31,044	-
Passed through from Southern Indiana Works		n/a	214,191	-
Passed through from State of Maryland Prince George County		2022CR-WDB-001	512,054	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	97,869	-
Passed through from State of New York Department of Youth and Community Development		90529	32,672	-
Passed through from State of New York Department of Youth and Community Development		90528	391,170	-
Passed through from State of Ohio Franklin County Department of Job and Family Services		25-23-5707	659,759	-
Passed through from Upper Savannah Council of Governments		n/a	5,817	-
Passed through from Virginia Career Works		n/a	223,032	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	240,785	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	161,101	-
Passed through from WorkSource Montgomery		2019-0001	46,286	-
Passed through from WorkSource Montgomery		EYA_OSY-FY22-002	284,466	-
Total WIOA Youth Activities			11,721,774	-

(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 Dislocated Worker Formula Grants:	17.278			
Passed through from Acadiana Workforce Solutions		WIOA ADW0820	\$ 264,649	-
Passed through from Appalachian Council on Government		22D295E4	76,976	-
Passed through from Appalachian Council on Government		21LR895E1	36,765	-
Passed through from Appalachian Council on Government		22EBA995E1	17,258	-
Passed through from Cape Fear Council of Government		2022-ECK-F-OSO	60,048	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	25,957	-
Passed through from Denver Economic Development & Opportunity		202263587	474,185	-
Passed through from Durham Workforce Development Board		n/a	145,011	-
Passed through from Employ Baton Rouge		54722	31,287	-
Passed through from Employ Indy		S0506-WCF-19-WOI	823,605	-
Passed through from Green Country Workforce		AA-36340-21-55-A-40; AA-38550-22-55-A-40	74,735	-
Passed through from Guilford Works		n/a	201,560	-
Passed through from Kansas Local Workforce Development Board		n/a	19,662	-
Passed through from Lower Savannah Workforce Development Area		2DC97ED	159,542	-
Passed through from Lower Savannah Workforce Development Area		2DAY697ED	48,333	-
Passed through from Lower Savannah Workforce Development Area		22ADWBEBAED	1,125	-
Passed through from Pee Dee Regional Council of Governments		2NS071I	155,764	-
Passed through from Pee Dee Regional Council of Governments		2DS071I	2,981	-
Passed through from Pee Dee Regional Council of Governments		9RS071I	14,164	-
Passed through from Pee Dee Regional Council of Governments		1DS071I	33,776	-
Passed through from Philadelphia Works		TW22-058; 090-22-301-1	301,584	-
Passed through from Santee Lynches Workforce Development Board		224710E2	71,069	-
Passed through from Santee Lynches Workforce Development Board		214710E3	50,554	-
Passed through from Santee Lynches Workforce Development Board		224710E3	28,110	-
Passed through from Santee Lynches Workforce Development Board		224710E1	54,201	-
Passed through from Shreveport One Stop Operator		PY 2022-2023	31,044	-
Passed through from Southern Indiana Works		n/a	344,142	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C014 - 2022	234,400	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	97,869	-
Passed through from Virginia Career Works		n/a	71,538	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	79,096	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	62,191	-
Passed through from WorkSource Montgomery		2019-0001	46,286	-
Total WIOA Dislocated Worker Formula Grants			4,139,467	-
Total WIOA Cluster			26,088,684	-
<i>Employment Service Cluster:</i>				
Employment Service/Wagner-Peyser Funded Activities Program:	17.207			
Passed through from Workforce Development Board of Western Missouri		20-30-12	22,022	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	44,202	-
Total Employment Service/Wagner-Peyser Funded Activities Program and Employment Service Cluster			66,224	-
Unemployment Insurance Program:	17.225			
Passed through from Denver Economic Development & Opportunity		202263587	108,846	-
Passed through from Employ Indy		P0506-RESEA-21-EOR	685,869	-
Passed through from Southern Indiana Works		n/a	261,966	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	4,808	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	144	-
Total Unemployment Insurance Program			1,061,633	-
Trade Adjustment Assistance for Workers Program:	17.245			
Passed through from Denver Economic Development & Opportunity		202263587	64,088	-
Total Trade Adjustment Assistance for Workers Program			64,088	-
HIB Job Training Grants:	17.268			
Passed through from Denver Economic Development & Opportunity		202263587	531,749	-
Passed through from Southern Indiana Works		n/a	37,002	-
Passed through from Pee Dee Regional Council of Governments		2H5071I	350,226	-
Total HIB Job Training Grants			918,977	-

(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
Reentry Employment Opportunities:	17.270			
Direct federal award from U.S. Department of Labor		PE-36547-21-60-A-12	\$ 978,790	-
Total Reentry Employment Opportunities			978,790	-
YouthBuild:	17.274			
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	242,536	-
Total YouthBuild			242,536	-
Workforce Investment Act (WIA) National Emergency Grants:	17.277			
Passed through from Denver Economic Development & Opportunity		202263587	145,206	-
Passed through from Pee Dee Regional Council of Governments		1D50711	294,503	-
Passed through from Southern Indiana Works		n/a	85,084	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	32,095	-
Total Workforce Investment Act (WIA) National Emergency Grants			556,888	-
Registered Apprenticeship:	17.285			
Passed through from Denver Economic Development & Opportunity		202263587	270,727	-
Total Registered Apprenticeship			270,727	-
Total U.S. Department of Labor			30,248,547	-
Total Expenditures of Federal Awards - Eckerd Connects			\$ 48,606,970	-
Caring for Children:				
<i>U.S. Department of Health and Human Services:</i>				
MaryLee Allen Promoting Safe and Stable Families Program:	93.556			
Passed through State of North Carolina Department of Health and Human Services		40182	\$ 362,989	-
Passed through State of North Carolina Department of Health and Human Services		42556	44,993	-
Total MaryLee Allen Promoting Safe and Stable Families Program			407,982	-
Total U.S. Department of Health and Human Services			407,982	-
Total Expenditures of Federal Awards - Caring for Children			\$ 407,982	-
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		AA-30743-17-55-A-13	\$ 232,189	-
Passed through from Coastal Workforce Services		2022-ECP-CM-02	69,966	-
Total WIOA Adult Program			302,155	-
WIOA Youth Activities:	17.259			
Passed through from River Valley Regional Commission		AA-30743-17-55-A-13	263,229	-
Passed through from Southern Georgia Regional Commission		22-03	358,280	-
Passed through from Northeast Georgia Regional Commission		AA-36314-21-55-A-13	220,932	-
Passed through from Macon-Bibb County Workforce Development Board		AA-32361-18-55-A-13	186,294	-
Passed through from Bibb County School District		n/a	7,294	-
Passed through from Northwest Georgia Regional Commission		01-21-20-0167	276,487	-
Passed through from Southwest Georgia Workforce Development Board		PY22-126-WIOA	437,795	-
Total WIOA Youth Activities			1,750,311	-
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from Coastal Workforce Services		2022-ECP-CM-02	163,253	-
Total WIOA Dislocated Worker Formula Grants			163,253	-
Total WIOA Cluster			2,215,719	-

(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
Workforce Investment Act (WIA) National Emergency Grants: Passed through from Southern Georgia Regional Commission	17.277	20-10	\$ 402,414	-
Total Workforce Investment Act (WIA) National Emergency Grants			<u>402,414</u>	-
Total Expenditures of Federal Awards - Paxen, LLC			<u>2,618,133</u>	-
Total Expenditures of Federal Awards - All Entities			<u>\$ 51,633,085</u>	-

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 Juvenile Justice:</i>				
Day Treatment Services:	80.021			
Direct state award from Department of Juvenile Justice		10591	2,605,294	-
Direct state award from Department of Juvenile Justice		10645	<u>1,381,416</u>	<u>-</u>
Total Day Treatment Services			<u>3,986,710</u>	<u>-</u>
Total Department of Juvenile Justice			<u>3,986,710</u>	<u>-</u>
Total Expenditures of State of Florida State Financial Assistance - Eckerd Connects			<u>\$ 3,986,710</u>	<u>-</u>

ECKERD CONNECTS

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

Year Ended June 30, 2023

(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, 2023. 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 \$13,905 for the year ended June 30, 2023. Eckerd Connects and its affiliates did not have Federal Insurance in force during the year ended June 30, 2023.

(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, 2023 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	\$ 66,400	-	-	66,400
10.555	National School Lunch Program	160,700	-	-	160,700
		227,100	-	-	227,100
10.569	Emergency Food Assistance Program (Food Commodities)	13,905	-	-	13,905
<i>WIOA Cluster:</i>					
17.258	WIOA Adult Program	10,227,443	-	302,155	10,529,598
17.259	WIOA Youth Activities	11,721,774	-	1,750,311	13,472,085
17.278	WIOA Dislocated Worker Formula Grants	4,139,467	-	163,253	4,302,720
		26,088,684	-	2,215,719	28,304,403
<i>Employment Service Cluster:</i>					
17.207	Employment Service/Wagner-Peyser Funded Activities	66,224	-	-	66,224
17.225	Unemployment Insurance Program	1,061,633	-	-	1,061,633
17.245	Trade Adjustment Assistance for Workers	64,088	-	-	64,088
17.268	H-1B Job Training Grants	918,977	-	-	918,977
17.270	Reentry Employment Opportunities	978,790	-	-	978,790
17.274	YouthBuild	242,536	-	-	242,536
17.277	Workforce Investment Act (WIA) National Emergency Grants	556,888	-	402,414	959,302
17.285	Registered Apprenticeship	270,727	-	-	270,727
21.019	Coronavirus Relief Fund	294,199	-	-	294,199
66.039	Diesel Emission Reduction Act (DERA) National Grants	6,774	-	-	6,774
84.000	E-Rate	24,746	-	-	24,746
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	45,484	-	-	45,484
93.556	MaryLee Allen Promoting Safe and Stable Families Program	-	407,982	-	407,982
93.558	Temporary Assistance to Needy Families	5,858,397	-	-	5,858,397
<i>CCDF Cluster:</i>					
93.575	Child Care and Development Block Grant	11,129	-	-	11,129
<i>Head Start Cluster:</i>					
93.600	Head Start	7,321,651	-	-	7,321,651
93.658	Foster Care Title IV-E	852,859	-	-	852,859
93.659	Adoption Assistance	1,259	-	-	1,259
93.788	Opioid STR	754,800	-	-	754,800
93.959	Block Grant for the Prevention and Treatment of Substance Abuse	2,946,120	-	-	2,946,120
		\$ 48,606,970	407,982	2,618,133	51,633,085

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, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 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.

December 19, 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 its major state project for the year ended June 30, 2023. Eckerd Connects’ major federal programs and its major state project 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 its major state project.

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.

December 19, 2023
St. Petersburg, Florida

ECKERD CONNECTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

(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 project 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 project 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 project 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 project were:

Federal Programs:

Temporary Assistance for Needy Families (AL No. 93.558)
Head Start Cluster: Head Start (AL No. 93.600)

Florida State Project:

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 Project

None.

(E) Other Issues

A Summary Schedule of Prior Audit Findings is not required because there were no findings reported in the 2022 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, 2023, and have issued our report thereon dated December 19, 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 December 19, 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.

December 19, 2023
St. Petersburg, Florida