



Audited Financial Statements

June 30, 2024 and 2023

ECKERD CONNECTS

Table of Contents

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Independent Auditors' Report on Consolidated Financial Statements and Supplementary Financial Information	1 - 3
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Functional Expenses	7 - 8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 - 30
SUPPLEMENTARY FINANCIAL INFORMATION	
Consolidating Statement of Financial Position	31
Consolidating Statement of Activities	32
Schedule of Expenditures of Federal Awards and State Financial Assistance	33 - 38
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	39 - 40
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41 - 42
Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the State of Florida Auditor General</i>	43 - 45
Schedule of Findings and Questioned Costs	46 - 47
Management Letter	48

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, 2024 and 2023, 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, 2024 and 2023, 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.



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 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, 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 27, 2024 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.

CBIZ CPAs P.C.¹

December 27, 2024
St. Petersburg, Florida

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

ECKERD CONNECTS

Consolidated Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,000,267	10,707,602
Accounts receivable, net	28,595,870	22,184,729
Due from related parties	1,620,191	1,862,256
Contributions receivable	435,124	370,111
Other current assets	1,870,881	1,036,268
Total current assets	40,522,333	36,160,966
Investments	15,874,003	13,423,098
Other assets	664,401	517,964
Property and equipment, net	4,918,318	5,136,671
Right-of-use assets under operating leases	2,473,672	1,748,996
Right-of-use assets under finance leases	533,683	697,972
Goodwill	2,860,257	2,860,257
Other intangible assets	2,691,395	3,927,836
Beneficial interest in perpetual trusts	33,147,027	30,064,912
Total assets	\$ 103,685,089	94,538,672
Liabilities and Net Assets		
Current liabilities:		
Short-term note payable	\$ 2,200,000	-
Current portion of operating lease liabilities	1,056,341	1,181,221
Current portion of finance lease liabilities	313,527	344,374
Accounts payable and accrued expenses	15,873,157	14,698,311
Accrued pension expenses	1,515,279	1,262,892
Deferred revenue	526,606	632,213
Total current liabilities	21,484,910	18,119,011
Operating lease liabilities, less current portion	1,440,087	583,246
Finance lease liabilities, less current portion	437,177	582,232
Total liabilities	23,362,174	19,284,489
Net assets:		
Without donor restrictions:		
Undesignated	30,694,184	30,897,748
Designated	14,711,519	12,941,960
Total net assets without donor restrictions	45,405,703	43,839,708
With donor restrictions	34,917,212	31,414,475
Total net assets	80,322,915	75,254,183
Total liabilities and net assets	\$ 103,685,089	94,538,672

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

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2024
(With Comparative Totals for 2023)

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2024	2023
Operating support and revenue:				
Program revenues:				
Funding contracts	\$ 186,684,528	-	186,684,528	157,146,912
Medicaid and third party insurance	1,046,853	-	1,046,853	1,096,707
Contributions	2,204,864	-	2,204,864	2,926,309
Gifts-in-kind	518,812	-	518,812	537,502
Interest and dividends, net of fees	217,596	25,761	243,357	266,191
Equity in earnings of affiliates	1,775,887	-	1,775,887	2,110,144
Other revenue	688,142	-	688,142	1,295,152
Net assets released from restriction:				
Satisfaction of use restrictions	546,356	-	546,356	647,290
Total operating support and revenue	193,683,038	25,761	193,708,799	166,026,207
Operating expenses:				
Program services	171,830,540	-	171,830,540	144,026,808
Supporting services	22,295,573	-	22,295,573	21,327,044
Total operating expenses	194,126,113	-	194,126,113	165,353,852
Change in net assets from operations	(443,075)	25,761	(417,314)	672,355
Other changes:				
Unrealized and realized gains on investments	1,605,376	128,742	1,734,118	1,591,889
Gain on sale of property and equipment	394,296	-	394,296	54,771
Gain on termination of finance lease	9,398	-	9,398	-
Restricted grants and contributions	-	812,475	812,475	693,968
Change in value of beneficial interest in perpetual trusts	-	3,082,115	3,082,115	2,214,965
Net assets released from restrictions	-	(546,356)	(546,356)	(647,290)
Total other changes	2,009,070	3,476,976	5,486,046	3,908,303
Change in net assets	1,565,995	3,502,737	5,068,732	4,580,658
Net assets at beginning of year	43,839,708	31,414,475	75,254,183	70,673,525
Net assets at end of year	\$ 45,405,703	34,917,212	80,322,915	75,254,183

ECKERD CONNECTS

Consolidated Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating support and revenue:			
Program revenues:			
Funding contracts	\$ 157,146,912	-	157,146,912
Medicaid and third party insurance	1,096,707	-	1,096,707
Contributions	2,926,309	-	2,926,309
Gifts-in-kind	537,502	-	537,502
Interest and dividends, net of fees	260,028	6,163	266,191
Equity in earnings of affiliates	2,110,144	-	2,110,144
Other revenue	1,295,152	-	1,295,152
Net assets released from restriction:			
Satisfaction of use restrictions	647,290	-	647,290
Total operating support and revenue	166,020,044	6,163	166,026,207
Operating expenses:			
Program services	144,026,808	-	144,026,808
Supporting services	21,327,044	-	21,327,044
Total operating expenses	165,353,852	-	165,353,852
Change in net assets from operations	666,192	6,163	672,355
Other changes:			
Unrealized and realized losses on investments	1,558,395	33,494	1,591,889
Gain on sale of property and equipment	54,771	-	54,771
Restricted grants and contributions	-	693,968	693,968
Change in value of beneficial interest in perpetual trust	-	2,214,965	2,214,965
Net assets released from restrictions	-	(647,290)	(647,290)
Total other changes	1,613,166	2,295,137	3,908,303
Change in net assets	2,279,358	2,301,300	4,580,658
Net assets at beginning of year	41,560,350	29,113,175	70,673,525
Net assets at end of year	\$ 43,839,708	31,414,475	75,254,183

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024
(With Comparative Totals for 2023)

	Program Services					Supporting Services			Total		
	Residential Programs	Non-Residential Programs	Job Corps	Workforce Development	Other Programs	Total	General and Administrative	Fundraising	Total	2024	2023
Operating expenses:											
Payroll and related expenses	\$ 11,243,761	18,847,480	49,639,387	28,597,109	11,856	108,339,593	11,304,295	69,335	11,373,630	119,713,223	98,581,830
Employee related	131,064	109,700	288,640	76,684	1,156	607,244	89,848	12	89,860	697,104	576,635
Training	32,273	558,969	54,834	145,473	52,739	844,288	57,579	-	57,579	901,867	812,916
Supplies and materials	282,205	537,872	2,675,518	218,745	62,679	3,777,019	54,543	766	55,309	3,832,328	4,733,156
Food	453,716	98,900	4,110,937	3,635	263	4,667,451	33	-	33	4,667,484	2,688,692
Technology	44,964	277,058	64,452	210,275	6,188	602,937	1,692,538	28,751	1,721,289	2,324,226	2,309,953
Travel	100,637	1,017,300	185,416	436,097	36,444	1,775,894	733,899	461	734,360	2,510,254	2,463,813
Vehicle	92,258	164,146	7,817	40	43	264,304	9,594	29	9,623	273,927	287,938
Repairs and maintenance	1,322,354	253,528	5,773,098	19,427	36,643	7,405,050	51,088	-	51,088	7,456,138	6,616,928
Utilities	275,249	99,324	4,307,785	30,662	13,465	4,726,485	67,671	-	67,671	4,794,156	3,435,538
Telephone	139,619	373,864	438,480	285,498	3,575	1,241,036	212,468	523	212,991	1,454,027	1,201,447
Depreciation and amortization	474,162	306,411	-	7,052	13,639	801,264	1,511,807	-	1,511,807	2,313,071	2,290,068
Insurance	489,967	705,909	324,453	363,513	205,440	2,089,282	172,764	-	172,764	2,262,046	2,828,176
Professional fees	135,262	182,233	61,786	320,880	831,058	1,531,219	4,052,951	30,675	4,083,626	5,614,845	4,387,409
Occupancy costs	254,937	1,053,868	405,238	288,335	39,345	2,041,723	16,326	-	16,326	2,058,049	2,176,350
Purchased services	102,225	9,665,409	4,740,218	545,482	9,326	15,062,660	40,945	-	40,945	15,103,605	13,769,650
Client related	148,660	1,007,730	3,823,247	9,400,064	20,065	14,399,766	6,860	-	6,860	14,406,626	13,376,879
Miscellaneous	96,885	691,665	(26,925)	97,712	793,988	1,653,325	2,085,644	4,168	2,089,812	3,743,137	2,816,474
Total operating expenses	\$ 15,820,198	35,951,366	76,874,381	41,046,683	2,137,912	171,830,540	22,160,853	134,720	22,295,573	194,126,113	165,353,852

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

ECKERD CONNECTS

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services					Supporting Services			Total Expenses	
	Residential Programs	Non-Residential Programs	Job Corps	Workforce Development	Other Programs	Total	General and Administrative	Fundraising		Total
Operating expenses:										
Payroll and related expenses	\$ 8,722,662	15,343,060	38,511,770	23,886,811	118,962	86,583,265	11,769,259	229,306	11,998,565	98,581,830
Employee related	110,140	111,314	208,143	65,151	23,492	518,240	58,256	139	58,395	576,635
Training	28,308	528,413	68,282	107,058	1,019	733,080	79,836	-	79,836	812,916
Supplies and materials	201,705	696,402	3,504,512	211,729	46,933	4,661,281	70,976	899	71,875	4,733,156
Food	437,081	108,795	2,131,999	6,135	4,682	2,688,692	-	-	-	2,688,692
Technology	35,771	134,314	34,470	224,483	308,086	737,124	1,530,136	42,693	1,572,829	2,309,953
Travel	70,490	941,251	113,318	378,176	23,557	1,526,792	925,636	11,385	937,021	2,463,813
Vehicle	67,965	188,494	6,898	90	322	263,769	13,620	10,549	24,169	287,938
Repairs and maintenance	488,197	476,495	5,590,754	28,712	36	6,584,194	32,734	-	32,734	6,616,928
Utilities	259,301	89,596	2,957,232	30,047	28,535	3,364,711	70,827	-	70,827	3,435,538
Telephone	147,365	270,968	417,318	210,600	6,929	1,053,180	147,654	613	148,267	1,201,447
Depreciation and amortization	363,815	255,057	-	9,584	3,422	631,878	1,658,190	-	1,658,190	2,290,068
Insurance	502,567	986,073	393,002	515,908	14,995	2,412,545	411,986	3,645	415,631	2,828,176
Professional fees	147,082	139,740	97,671	378,194	328,567	1,091,254	3,263,414	32,741	3,296,155	4,387,409
Occupancy costs	264,358	876,994	362,739	397,260	72,447	1,973,798	202,552	-	202,552	2,176,350
Purchased services	7,680	9,141,841	4,216,082	336,380	7,600	13,709,583	60,067	-	60,067	13,769,650
Client related	136,436	1,247,016	3,031,537	8,940,501	16,457	13,371,947	4,932	-	4,932	13,376,879
Miscellaneous	70,634	703,720	665,338	149,003	532,780	2,121,475	648,091	46,908	694,999	2,816,474
Total operating expenses	\$ 12,061,557	32,239,543	62,311,065	35,875,822	1,538,821	144,026,808	20,948,166	378,878	21,327,044	165,353,852

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

ECKERD CONNECTS

Consolidated Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 5,068,732	4,580,658
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	2,313,071	2,290,068
Non-cash lease expense	1,457,075	1,610,167
Gain on termination of finance lease	(9,398)	-
Unrealized and realized gains on investments	(1,734,118)	(1,591,889)
Gain on sale of property and equipment	(394,296)	(54,771)
Change in value of beneficial interest in perpetual trusts	(3,082,115)	(2,214,965)
(Increase) decrease in assets:		
Accounts and contributions receivable	(6,476,154)	4,332,672
Due from related parties	242,065	197,496
Other assets	(981,050)	520,604
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,427,233	(11,059,863)
Deferred revenue	(105,607)	(282,255)
Operating lease liabilities	(1,449,790)	(1,518,265)
Obligation under earnout provision	-	(729,408)
	(3,724,352)	(3,919,752)
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(500,919)	(463,084)
Proceeds from the sale of property and equipment	420,749	48,826
Purchases of investments	(6,358,915)	(5,802,800)
Proceeds from the sale of investments	5,642,128	5,191,339
	(796,957)	(1,025,719)
Net cash used in investing activities		
Cash flows from financing activities:		
Advances (repayments) under short-term note payable	2,200,000	(3,000,000)
Principal payments on finance lease liabilities	(386,026)	(329,669)
	1,813,974	(3,329,669)
Net cash provided by (used in) financing activities		
Net decrease in cash, cash equivalents, and restricted cash	(2,707,335)	(8,275,140)
Cash, cash equivalents, and restricted cash at beginning of year	10,707,602	18,982,742
Cash, cash equivalents, and restricted cash at end of year	\$ 8,000,267	10,707,602
Supplemental disclosures of cash flow information:		
Additions to right-of-use assets obtained from operating leases	\$ 2,181,751	354,721
Additions to right-of-use assets obtained from finance leases	\$ 174,606	596,008
Reduction to finance leases liabilities from lease termination	\$ 35,518	-
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	\$ 114,291	131,143

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(1) Description of Organization and Nature of Activities

Eckerd Connects (the “Organization”) is one of the largest nonprofit child, young adult and family service organizations in the United States. Eckerd Connects is an established national leader that has given much needed second chances to more than 200,000 children since 1968. Founded by Jack and Ruth Eckerd, our organization provides life-changing child welfare, behavioral health, juvenile justice, work force development, and Job Corps center training programs to more than 25,000 children, young adults and families every year.

The Organization’s mission to provide and share solutions that promote the well-being of children, young adults and families in need of a second chance drives every action Eckerd Connects takes. Built on a bedrock of solution-oriented programs, Eckerd Connects assists both public and private organizations by sharing its best practices and advocating for system reform across the nation.

Eckerd Youth Alternatives, Inc. is the registered legal name with the State of Florida, however, the Organization began doing business as (d/b/a) Eckerd Connects in October 2017. For more information about Eckerd Connects, please visit www.Eckerd.org.

Effective August 31, 2014, Eckerd Connects was named the sole member of Caring for Children, Inc. (“Caring for Children”), a non-profit organization providing emergency shelters, foster care and other services to children in crisis in Western North Carolina. Caring for Children remained a separate tax-exempt organization with its own Board of Directors consisting of several members of Eckerd Connects’ senior executive team. Effective November 30, 2023, 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 ten states. The Job Corp center 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 2023, 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, 2024 and 2023, 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) Accounts Receivable, Net

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, third-party contracts, expectations about future business conditions, 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, 2024 and 2023, an allowance for credit losses has not been established as management believes that all amounts are collectible.

(e) Contributions

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

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

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statement of financial position. The Organization received cost-reimbursable grants of approximately \$20,845,000 that have not been recognized at June 30, 2024 because qualifying expenditures have not yet been incurred.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(f) 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.

(g) 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.

(h) 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.

(i) Goodwill

Goodwill represents the excess of the purchase price of net assets acquired over the fair value of those net assets at the date of the Paxen and Odle acquisitions. Goodwill acquired is deemed to have an indefinite useful life and is not amortized, but is instead tested for impairment at least annually, or more frequently if events and circumstances indicate that the assets might be impaired.

(j) Other Intangible Assets

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(j) Other Intangible Assets - Continued

The value of intangible assets is based on projected cash flows these various assets are expected to generate in the future. Timber rights have an expected useful life of 20 years and are being amortized using the straight-line method. Customer relationships from Henkels & McCoy have an expected useful life of 15 years and are being amortized using the straight-line method. The non-competition covenant represents the value of a non-competition agreement with a 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 was amortized over its useful life of 3 years through 2023. 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 \$1,236,415 and \$1,297,757 for the years ended June 30, 2024 and 2023, respectively. Future amortization expense for the next five years and thereafter related to the identified intangible assets described above is expected to be \$844,706 in 2025; \$283,239 in 2026, \$283,239 in 2027, \$283,239 in 2028 and \$713,733 thereafter.

The gross carrying amounts and accumulated amortization of other intangibles as of June 30, 2024 and 2023 are as follows:

	2024		2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Timber rights	\$ 132,549	62,961	132,549	56,334
Customer relationships	3,409,178	1,875,054	3,409,178	1,647,775
Non-competition agreement	666,000	666,000	666,000	555,000
Customer contracts	4,211,000	3,649,533	4,211,000	2,807,333
Proprietary software	56,000	56,000	56,000	56,000
Tradename	740,000	213,784	740,000	164,449
	<u>\$ 9,214,727</u>	<u>6,523,332</u>	<u>9,214,727</u>	<u>5,286,891</u>

(k) Income Taxes

Eckerd Connects and its affiliate, Caring for Children, are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under the provisions of the Florida and North Carolina Statutes. The Internal Revenue Code provides for taxation of unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The Organization does not believe it has any material income tax exposure relating to uncertain tax positions as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*. The Organization’s income tax filings remain subject to examination for the fiscal year ended June 30, 2021 and thereafter.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(l) Donated Materials and Services

Eckerd Connects receives donated space, food commodities and certain supplies for use in its programs. Donated space is valued at commensurate rental rates for similar building space in each geographic area and totaled \$317,603 and \$208,380 for the years ended June 30, 2024 and 2023, 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 \$201,209 and \$329,122 for the years ended June 30, 2024 and 2023, 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 2024 or 2023.

(m) 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.

(n) 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.

(o) Advertising

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2024 and 2023, was approximately \$241,000 and \$367,000, respectively.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(p) 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.

(q) Going Concern Evaluation

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

(r) Reclassifications

Certain amounts in the 2023 consolidated financial statements have been reclassified to conform with the 2024 presentation.

(s) Accounting Pronouncement Recently Adopted

Effective July 1, 2023, the Organization adopted FASB Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization’s consolidated financial statements but did change how the allowance for credit losses is determined.

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, 2024, NFY provided total support to Eckerd Connects in the amount of \$2,171,277 and contributions receivable at June 30, 2024 totaled \$435,124 which is expected to be collected in fiscal 2025. 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 was collected in fiscal 2024.

(4) Investments

Investments are recorded at fair value and consist of the following at June 30, 2024 and 2023:

	2024		2023	
	Cost	Market	Cost	Market
Money market funds	\$ 782,571	782,571	656,170	656,170
U.S. government and agency obligations	2,313,156	2,196,888	2,295,518	2,142,783
Corporate bonds	1,214,326	1,144,270	1,151,073	1,052,577
Real estate investment trusts	300,000	286,300	300,000	295,491
Mutual funds	1,044,992	1,158,698	533,253	557,123
Common stock	7,398,839	10,305,276	6,755,441	8,718,954
	\$ 13,053,884	15,874,003	11,691,455	13,423,098

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, 2024 and 2023:

	2024	2023
Interest and dividend income - investments	\$ 342,020	350,637
Investment fees	(98,663)	(84,446)
Net realized and unrealized gains	1,734,118	1,591,889
	\$ 1,977,475	1,858,080

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(5) Property and Equipment

Property and equipment at June 30, 2024 and 2023 is summarized as follows:

	<u>Estimated Life</u>	<u>2024</u>	<u>2023</u>
Land		\$ 2,227,783	2,227,783
Building and improvements	10 - 34 years	9,774,319	9,793,062
Furniture and equipment	3 - 10 years	5,501,087	5,191,055
Transportation equipment	5 years	529,803	508,975
Construction in progress		513,411	646,119
Total		18,546,403	18,366,994
Less accumulated depreciation		<u>(13,628,085)</u>	<u>(13,230,323)</u>
Net property and equipment		<u>\$ 4,918,318</u>	<u>5,136,671</u>

Depreciation expense for fiscal 2024 and 2023 was \$692,845 and \$593,386, 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, 2024 and 2023 was \$33,147,027 and \$30,064,912, 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, 2024.

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, 2024 was as follows:

	<u>Total Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
As of June 30, 2024:				
Assets:				
Money market funds	\$ 782,571	782,571	-	-
Fixed income:				
Corporate bonds	1,144,270	1,144,270	-	-
U.S. government and agency obligations	2,196,888	2,196,888	-	-
Real estate investment trusts	286,300	286,300	-	-
Mutual funds	1,158,698	1,158,698	-	-
Common stock:				
Healthcare	1,398,426	1,398,426	-	-
Consumer staples	551,332	551,332	-	-
Information technology	1,981,705	1,981,705	-	-
Consumer discretionary	1,082,054	1,082,054	-	-
Industrials	1,472,624	1,472,624	-	-
Materials	106,144	106,144	-	-
Financials	1,933,270	1,933,270	-	-
Telecommunication	1,003,734	1,003,734	-	-
Utilities	305,036	305,036	-	-
Energy	325,647	325,647	-	-
Real estate	145,304	145,304	-	-
Total investments	15,874,003	15,874,003	-	-
Beneficial interest in perpetual trusts	33,147,027	-	-	33,147,027
	<u>\$ 49,021,030</u>	<u>15,874,003</u>	<u>-</u>	<u>33,147,027</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, 2023 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, 2023:				
Assets:				
Money market funds	\$ 656,170	656,170	-	-
Fixed income:				
Corporate bonds	1,052,577	1,052,577	-	-
U.S. 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	<u>30,064,912</u>	<u>-</u>	<u>-</u>	<u>30,064,912</u>
	<u>\$ 43,488,010</u>	<u>13,423,098</u>	<u>-</u>	<u>30,064,912</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 30,064,912	27,849,947
Change in value of beneficial interest in perpetual trusts	<u>3,082,115</u>	<u>2,214,965</u>
Ending balance	<u>\$ 33,147,027</u>	<u>30,064,912</u>

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) 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.

The following summarizes the line items in the accompanying consolidated statements of financial position as of June 30, 2024 and 2023:

	2024	2023
Operating leases:		
Operating lease right-of-use assets	\$ 2,473,672	1,748,996
Current portion of operating lease liabilities	\$ 1,056,341	1,181,221
Operating lease liabilities, less current portion	1,440,087	583,246
	\$ 2,496,428	1,764,467
Finance leases:		
Finance lease right-of-use assets	\$ 533,683	697,972
Current portion of finance lease liabilities	\$ 313,527	344,374
Finance lease liabilities, less current portion	437,177	582,232
	\$ 750,704	926,606

The weighted average lease terms and discount rates as of June 30, 2024 and 2023 are as follows:

	2024	2023
Weighted average remaining lease terms:		
Operating leases	3.3 years	1.7 years
Finance leases	2.9 years	3.1 years
Weighted average discount rates:		
Operating leases	4.16%	2.89%
Finance leases	4.04%	3.87%

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) Leases - Continued

The components of lease costs under operating and finance leases for the years ended June 30, 2024 and 2023 include the following:

	2024	2023
Operating lease cost	\$ 1,608,420	1,594,746
Short-term leases	27,779	158,582
Variable lease costs	234,741	131,961
Total lease costs	\$ 1,870,940	1,885,289
Finance lease costs:		
Amortization of lease assets included in depreciation and amortization expense	\$ 383,811	392,298
Interest on lease liabilities included in interest expense	34,441	36,483
	\$ 418,252	428,781

The following summarizes cash flow information related to leases for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,602,699	1,581,196
Operating cash flows from finance leases	34,441	36,483
Financing cash flows from finance leases	386,026	329,669
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ 2,181,751	354,721
Finance leases	174,606	596,008

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(8) Leases - Continued

The maturities of lease liabilities as of June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>
2025	\$ 1,136,482	336,769
2026	548,846	222,101
2027	399,402	148,980
2028	384,462	68,537
2029	209,186	16,539
	<u>2,678,378</u>	<u>792,926</u>
Total payments	2,678,378	792,926
Less interest	<u>(181,950)</u>	<u>(42,222)</u>
Present value of lease liabilities	<u>\$ 2,496,428</u>	<u>750,704</u>

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

Eckerd Connects maintains 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 one-month Bloomberg Short-Term Bank Yield (“BSBY”) Index plus the brokerage institutions margin (6.88% at June 30, 2024). As of June 30, 2024 and 2023 the outstanding balance on the short-term borrowing arrangement was \$2,200,000 and \$0, respectively. The amount which can be borrowed under the short-term borrowing arrangement was \$3,880,025 and \$6,087,369 as of June 30, 2024 and 2023, respectively.

Eckerd Connects also has a 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 the Secured Overnight Financing Rate (“SOFR”) plus 1.45% (6.78% at June 30, 2024) 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, 2024. There was no outstanding balance at June 30, 2024 and 2023.

Odle also has a revolving line of credit (the “Odle line”) for \$4 million with PNC Bank which matures on March 31, 2025. The Odle line bears interest at SOFR plus 1.6% (6.93% at June 30, 2024). There was no outstanding balance on the Odle line at June 30, 2024 or 2023. The Odle line is collateralized by substantially all of Odle’s business assets and has been guaranteed by Eckerd Connects.

Total interest expense incurred under the short-term borrowing arrangement and the lines of credit was approximately \$80,000 and \$95,000 for the years ended June 30, 2024 and 2023, respectively.

Eckerd Connects has two outstanding letters of credit which totaled \$881,476 as of June 30, 2024 and 2023, which are also collateralized by investments held by the brokerage institution. The beneficiaries under the letters of credit are workers’ compensation carriers as described in Note 13.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	<u>2024</u>	<u>2023</u>
Subject to use restrictions:		
Unappropriated endowment earnings	\$ 144,984	-
Program operations	389,347	410,166
Success awards - scholarships	<u>218,354</u>	<u>417,759</u>
	752,685	827,925
To be held in perpetuity:		
Beneficial interest in perpetual trusts:		
National Foundation for Youth	29,210,536	26,370,032
Richard J. Ross Trust	3,936,491	3,694,880
E-Nini-Hassee endowment	<u>1,017,500</u>	<u>521,638</u>
	<u>34,164,527</u>	<u>30,586,550</u>
	<u>\$ 34,917,212</u>	<u>31,414,475</u>

(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 2023. Eckerd Connects' externally controlled endowment net assets consist of its beneficial interest in two perpetual trusts administered by independent trustees.

Interpretation of Relevant Law

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

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(11) Endowment Funds - Continued

Investment Return Objectives, Risk Parameters and Strategies

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

Endowment net asset composition by type of fund at June 30, 2024 and 2023 were as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
June 30, 2024:			
Board-designated endowment	\$ 14,711,519	-	14,711,519
Donor-restricted endowment	-	1,162,484	1,162,484
Beneficial interest in perpetual trusts	-	33,147,027	33,147,027
	\$ 14,711,519	34,309,511	49,021,030
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
	\$ 12,941,960	30,586,550	43,528,510

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(11) Endowment Funds - Continued

Investment Return Objectives, Risk Parameters and Strategies - Continued

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Net Assets
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	12,941,960	30,586,550	43,528,510
Net investment income	214,061	25,761	239,822
Net appreciation	1,596,840	128,742	1,725,582
Deposits	-	486,343	486,343
Withdrawals	(41,342)	-	(41,342)
Change in value of beneficial interest in perpetual trusts	-	3,082,115	3,082,115
Balances at June 30, 2024	\$ 14,711,519	34,309,511	49,021,030

(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 2023, 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 2024 and 2023 totaled \$1,018,000 and \$1,013,000, respectively.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(12) Employee Benefit Plans - Continued

Deferred compensation plan: Effective July 1, 2009, Eckerd Connects established a supplemental executive retirement plan (“SERP”) to retain and reward selected executives of the Organization and to provide such executives with supplemental benefits. The plan is an unfunded plan established and maintained for the primary purpose of providing deferred compensation benefits for employees who substantially contribute to the success of the Organization. The plan is a nonqualified deferred compensation plan that is intended to comply with Sections 457(f) and 409(a) of the Internal Revenue Code. Total retirement plan expense recognized under the SERP for the years ended June 30, 2024 and 2023 was \$56,331 and \$58,435, respectively. The liability under the SERP as of June 30, 2024 and 2023 was \$56,331 and \$58,435, 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 \$250,000 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, 2024 and 2023, accrued estimated health insurance expense was approximately \$2,852,000 and \$2,109,000, respectively. For the years ended June 30, 2024 and 2023, estimated health insurance expense was approximately \$16,635,000 and \$12,248,000, respectively. Actual claims expense may differ from these estimates.

Effective January 1, 2020, Eckerd Connects invested in an offshore captive insurance company, ARU SPC, Ltd. on behalf of Pioneer Segregated Portfolio (the “Captive”) based in the Cayman Islands. Eckerd Connects paid \$1 for one Segregated Portfolio Share of stock in the Captive. As an owner of the Captive, Eckerd Connects is insured under a health care stop loss program where the Captive reinsures health care claims from an A+ Best’s Rated insurance carrier above \$250,000 up to \$500,000 subject to a 125% annual aggregate. Claims in excess of \$500,000 are fully insured by the same A+ Best’s Rated carrier on an unlimited basis. Eckerd Connects remits premium payments to the insurance company and the insurer remits premiums to the Captive for its participation under the policy. All claims’ payments are made using a third-party administrator. The Captive provides management with estimates of health care claims, including claims incurred but unreported and future development of covered claims using an actuarially determined reserve methodology based on current and historical claims experience.

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

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

Workers compensation: Effective July 1, 2017, Eckerd Connects invested in an offshore captive insurance company, Evolution Insurance Company Ltd. (the “Captive”) based in the Cayman Islands. Eckerd Connects paid \$36,000 for one share of common stock and one share of preferred stock in the Captive. As an owner of the Captive, Eckerd Connects is insured under a workers’ compensation program where the Captive reinsures workers’ compensation claims up to \$500,000 subject to a \$1.4 million annual aggregate. Claims more than \$500,000 are covered under two separate policies with an unrelated insurance carrier. Eckerd Connects remits premium payments to the Captive and the Captive remits premiums to the unrelated insurer and processes all claims payments using a third-party administrator. The Captive provides management with estimates of total incurred workers’ compensation claims, including claims incurred but unreported and future development of covered claims using an actuarially determined reserve methodology based on current and historical claims experience. At June 30, 2020, a letter of credit in the amount of \$584,577 was issued to the Captive’s creditor as collateral for the payment of future claims. Effective April 2023, the letter of credit was increased to \$881,476. The letter of credit is secured by investment securities as described in Note 9.

In fiscal 2017, Eckerd Connects obtained workers’ compensation insurance under two policies with an unrelated insurance company. Under the terms of those policies, Eckerd Connects was responsible for the first \$350,000 of individual workers’ compensation claims. At June 30, 2024 and 2023, 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 2024 and 2023 workers’ compensation programs may differ from these estimates. At June 30, 2024 and 2023, 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 9.

Total workers’ compensation expense for the years ended June 30, 2024 and 2023 was approximately \$677,000 and \$806,000, respectively.

Unemployment claims: Eckerd Connects contracted with an outside insurer for the administration of unemployment claims. Under the terms of the agreement, Eckerd Connects remits deposits to the insurer and is eligible for refunds based on actual claims experience. Additional premiums will be invoiced for changes in actual wages. Claims expense is capped based on a factor applied to actual wages. For the years ended June 30, 2024 and 2023, Eckerd Connects paid the insurer approximately \$416,000 and \$355,000 in claims deposits, respectively, and anticipates a nominal adjustment once actual wages have been audited and actual claims experience is determined. During fiscal 2024 and 2023, there were no amounts paid by Eckerd Connects for prior premium adjustments due to increasing wages during fiscal 2024 or 2023. 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.

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, for which sufficient information currently exists to make a determination on exposure, 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 based on current available information.

In addition to the claims noted above, Eckerd Connects has also been named as a defendant in 83 legal cases in New Hampshire related to alleged events occurring between the early 1990s and early 2010s involving alleged former clients who received services at Eckerd Connects programs, which have since closed. These claims are part of broader litigation involving more than 20 contractor defendants across hundreds of cases over the same period. Given the passage of time and the nature of the claims, Eckerd Connects is in the process of assessing applicable insurance coverage under historical policies in effect during the periods in question. While no estimate of a probable loss can be reasonably determined at this time, management believes that no material liability exists with respect to these claims. Accordingly, no liability has been recorded in the accompanying consolidated statement of financial position. Eckerd Connects is vigorously defending itself against the allegations and continues to seek dismissal of the 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, 2024 and 2023, 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, 2024, cash balances held by Eckerd Connects and its affiliates exceeded FDIC limits by approximately \$9.9 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 lines of credit (described in Note 9).

ECKERD CONNECTS

Notes to Consolidated Financial Statements - Continued

(16) Liquidity and Availability of Resources - Continued

As of June 30, 2024 and 2023, the Organization's financial assets available to meet general expenditures within one year were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash, cash equivalents and restricted cash	\$ 8,000,267	10,707,602
Accounts receivable	30,216,061	24,046,985
Contributions receivable	435,124	370,111
Investments	15,874,003	13,423,098
Beneficial interest in perpetual trusts	<u>33,147,027</u>	<u>30,064,912</u>
Total financial assets	87,672,482	78,612,708
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Donor restricted for specific purposes	(752,685)	(827,925)
Donor restricted endowment	(1,017,500)	(521,638)
Beneficial interest in perpetual trusts	(33,147,027)	(30,064,912)
Board-designations:		
Quasi-endowment	<u>(14,711,519)</u>	<u>(12,941,960)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 38,043,751</u>	<u>34,256,273</u>

(17) Related Party Transactions

Eckerd Connects received contributions totaling approximately \$50,000 and \$415,000 from Board members during the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, amounts due from Aleut-Odle Training and Development, JV and Aleut-Odle Training and Development 2, LLC totaled \$1,620,191 and \$1,862,256, respectively.

(18) Subsequent Events and Management's Review

Management has evaluated subsequent events for potential recognition or disclosure through December 27, 2024, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

ECKERD CONNECTS

Consolidating Statement of Financial Position

June 30, 2024

Assets	Eckerd Connects	Paxen, LLC	Odle Management Group, LLC	Eliminations	Consolidated Total
Current assets:					
Cash and cash equivalents	\$ 5,401,371	267,650	2,331,246	-	8,000,267
Accounts receivable, net	17,939,633	383,950	10,272,287	-	28,595,870
Due from related parties	-	-	1,620,191	-	1,620,191
Intercompany receivable	822,977	1,635,200	(2,458,177)	-	-
Contributions receivable	435,124	-	-	-	435,124
Other current assets	776,703	98,308	995,870	-	1,870,881
Total current assets	25,375,808	2,385,108	12,761,417	-	40,522,333
Investments	15,874,003	-	-	-	15,874,003
Investments in subsidiaries	12,240,558	-	-	(12,240,558)	-
Other assets	560,825	2,150	101,426	-	664,401
Property and equipment, net	4,887,380	-	30,938	-	4,918,318
Right-of-use assets under operating leases	2,267,843	85,238	120,591	-	2,473,672
Right-of-use assets under finance leases	315,826	3,200	214,657	-	533,683
Goodwill	1,950,964	909,293	-	-	2,860,257
Other intangible assets	2,691,395	-	-	-	2,691,395
Beneficial interest in perpetual trusts	33,147,027	-	-	-	33,147,027
Total assets	\$ 99,311,629	3,384,989	13,229,029	(12,240,558)	103,685,089
Liabilities and Net Assets					
Current liabilities:					
Short-term note payable	\$ 2,200,000	-	-	-	2,200,000
Current portion of operating lease liabilities	896,324	80,948	79,069	-	1,056,341
Current portion of finance lease liabilities	228,750	2,675	82,102	-	313,527
Accounts payable and accrued expenses	12,021,202	135,440	3,716,515	-	15,873,157
Accrued pension expenses	1,515,279	-	-	-	1,515,279
Deferred revenue	466,820	-	59,786	-	526,606
Total current liabilities	17,328,375	219,063	3,937,472	-	21,484,910
Operating lease liabilities, less current portion	1,393,406	4,842	41,839	-	1,440,087
Finance lease liabilities, less current portion	266,933	2,254	167,990	-	437,177
Total liabilities	18,988,714	226,159	4,147,301	-	23,362,174
Net assets:					
Without donor restrictions:					
Undesignated	30,694,184	3,158,830	9,081,728	(12,240,558)	30,694,184
Designated for long-term purposes	14,711,519	-	-	-	14,711,519
With donor restrictions	34,917,212	-	-	-	34,917,212
Total net assets	80,322,915	3,158,830	9,081,728	(12,240,558)	80,322,915
Total liabilities and net assets	\$ 99,311,629	3,384,989	13,229,029	(12,240,558)	103,685,089

ECKERD CONNECTS

Consolidating Statement of Activities

Year Ended June 30, 2024

	<u>Eckerd Connects</u>	<u>Paxen, LLC</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	\$ 117,246,567	1,889,641	67,548,320	-	186,684,528
Medicaid and third party insurance	1,046,853	-	-	-	1,046,853
Contributions	2,204,864	-	-	-	2,204,864
Gifts-in-kind	518,812	-	-	-	518,812
Interest and dividends, net of fees	205,528	-	12,068	-	217,596
Equity in earnings of affiliates	-	-	1,775,887	-	1,775,887
Other revenue	674,943	-	13,199	-	688,142
Net assets released from restriction	541,356	5,000	-	-	546,356
	<u>122,438,923</u>	<u>1,894,641</u>	<u>69,349,474</u>	<u>-</u>	<u>193,683,038</u>
Operating expenses	<u>123,704,234</u>	<u>2,020,517</u>	<u>68,401,362</u>	<u>-</u>	<u>194,126,113</u>
Change in net assets without donor restrictions from operations	(1,265,311)	(125,876)	948,112	-	(443,075)
Other changes in net assets without donor restrictions:					
Unrealized and realized gains on investments	1,605,376	-	-	-	1,605,376
Equity in earnings of subsidiaries	822,236	-	-	(822,236)	-
Gain on sale of property and equipment	394,296	-	-	-	394,296
Gain on termination of finance lease	9,398	-	-	-	9,398
Change in net assets without donor restrictions	1,565,995	(125,876)	948,112	(822,236)	1,565,995
Net assets with donor restrictions:					
Grants and contributions	807,475	5,000	-	-	812,475
Interest and dividends, net of fees	25,761	-	-	-	25,761
Unrealized and realized gains on investments	128,742	-	-	-	128,742
Net assets released from restriction	(541,356)	(5,000)	-	-	(546,356)
Change in value of beneficial interest in perpetual trusts	3,082,115	-	-	-	3,082,115
Change in net assets with donor restrictions	<u>3,502,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,502,737</u>
Change in net assets	<u>\$ 5,068,732</u>	<u>(125,876)</u>	<u>948,112</u>	<u>(822,236)</u>	<u>5,068,732</u>

ECKERD CONNECTS

Schedule of Expenditures of Federal Awards and State Financial Assistance

Year Ended June 30, 2024

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	\$ 19,443	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>67,830</u>	-
Total National School Breakfast Program			87,273	-
National School Lunch Program:	10.555			
Passed through from State of Florida Department of Education		01-0112	42,238	-
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		1142	<u>142,361</u>	-
Total National School Lunch Program			<u>184,599</u>	-
Total Child Nutrition Cluster			271,872	-
<i>SNAP Cluster:</i>				
Emergency Food Assistance Program (Food Commodities):	10.561			
Passed through from State of North Carolina Department of Public Instruction, Division of Child Nutrition		D12-23-EYA-SVP	<u>227</u>	-
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program and SNAP Cluster			<u>227</u>	-
<i>Food Distribution Cluster:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.569			
Passed through from Community Partnership for Children		1142	<u>7,614</u>	-
Total Emergency Food Assistance Program (Food Commodities) and Food Distribution Cluster			<u>7,614</u>	-
Total U.S. Department of Agriculture			279,713	-
<i>U.S. Department of Commerce:</i>				
<i>Economic Development Cluster:</i>				
Economic Adjustment Assistance:	11.307			
Passed through from Workforce Investment Board of Southwest Missouri		n/a	<u>140,814</u>	-
Total U.S. Department of Commerce and Economic Development Cluster			140,814	-
<i>U.S. Department of Treasury:</i>				
Coronavirus Relief Fund Program:	21.019			
Passed through from Southern Indiana Works		n/a	<u>299,540</u>	-
Total U.S. Department of Treasury			299,540	-
<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>482</u>	-
Total U.S. Environmental Protection Agency			482	-
<i>U.S. Department of Education:</i>				
E-Rate:	84.000			
Passed through from Universal Service Administrative Company		n/a	<u>29,561</u>	-
Total E-Rate			29,561	-
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		19-RFP-014901-JJX EK10251	21,956	-
Passed through from Citrus County School Board			<u>14,030</u>	-
Total Title I State Agency Program for Neglected and Delinquent Children and Youth			<u>35,986</u>	-
Rehabilitation Services Vocational Rehabilitation Grants to States:	84.126			
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	93,688	-
Passed through from Employ Indy		S0506-JAG-23-1SY	125,000	-
Passed through from Foundation for California Colleges		00008508	<u>54,462</u>	-
Total Rehabilitation Services Vocational Rehabilitation Grants to States			<u>273,150</u>	-
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER):	84.425U			
Passed through from Employ Indy		S0506-JAG-23-1SY	<u>104,879</u>	-
Total ARP ESSER			<u>104,879</u>	-
Total U.S. Department of Education			443,576	-

(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>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		42556	\$ 44,970	-
Total MaryLee Allen Promoting Safe and Stable Families Program			44,970	-
Temporary Assistance for Needy Families:				
Passed through from State of Kansas Department for Children and Families	93.558	PPS-2019-CPA-EYA-8	686,746	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-24-5807	432,358	-
Passed through State of Ohio Franklin County Department of Job and Family Services		25-24-5790	455,161	-
Passed through from State of California, County of San Luis Obispo		C009 - 2023	392,927	-
Passed through from Philadelphia Works		TW24-074	3,227,394	-
Passed through from Employ Indy		n/a	84,763	-
Passed through from Southern Indiana Works		n/a	625,031	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	52,946	-
Passed through from Lancaster County Workforce Development Board		22_EARN_WR_Eckerd	1,099,707	-
Passed through from Community Partnership for Children		D12-23-EYA-SVP	97,090	-
Total Temporary Assistance for Needy Families			7,154,123	-
Child Care and Development Block Grant:				
Passed through from Workforce Investment Board of Southwest Missouri	93.575	AA-34778-20-55-A-29	26,867	-
Total Child Care and Development Block Grant			26,867	-
<i>Head Start Cluster:</i>				
Head Start:	93.600			
Direct federal award from U.S. Department of Health and Human Services		04HP000169	6,952,354	-
Total Head Start and Head Start Cluster			6,952,354	-
Stephanie Tubbs Jones Child Welfare Services Program:				
Passed through from Community Partnership for Children	93.645	D12-23-EYA-SVP	22,283	-
Total Stephanie Tubbs Jones Child Welfare Services Program			22,283	-
Foster Care Title IV-E:				
Passed through from State of Kansas Department for Children and Families	93.658	PPS-2019-CPA-EYA-8	956,406	-
Passed through from Community Partnership for Children		D12-23-EYA-SVP	84,918	-
Total Foster Care Title IV-E			1,041,324	-
Adoption Assistance:				
Passed through from Community Partnership for Children	93.659	D12-23-EYA-SVP	12,483	-
Total Adoption Assistance			12,483	-
<i>Medicaid Cluster:</i>				
Medical Assistance Program:	93.778			
Passed through from Community Partnership for Children		D12-23-EYA-SVP	1,134	-
Total Medical Assistance Program and Medicaid Cluster			1,134	-
Opioid STR:				
Passed through from Central Florida Cares Health System	93.788	EKM-26	224,173	-
Total Opioid STR			224,173	-
Block Grants for Community Mental Health Services:				
Passed through from Central Florida Cares Health System	93.958	EKM-26	408	-
Total Block Grants for Community Mental Health Services			408	-
Block Grants for Substance Use Prevention, Treatment and Recovery Services:				
Passed through from Central Florida Cares Health System	93.959	EKM-26	2,109,432	-
Passed through from Central Florida Cares Health System		DFB24	130,312	-
Passed through from Lutheran Services Florida, Inc.		ME027	721,808	-
Total Block Grants for Substance Use Prevention, Treatment and Recovery Services			2,961,552	-
Total U.S. Department of Health and Human Services			18,441,671	-

(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>U.S Department of Labor:</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program:	17,258			
Passed through from Acadiana Workforce Solutions		WIOA ADW0820	\$ 720,597	-
Passed through from Appalachian Council on Government		23A295E1	447,511	-
Passed through from Appalachian Council on Government		23A995E1	97,154	-
Passed through from Appalachian Council on Government		23EBA995E2	39,761	-
Passed through from Appalachian Council on Government		23EBA295E2	122,861	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	19,152	-
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	1,485,539	-
Passed through from Durham Workforce Development Board		19714	253,942	-
Passed through from Durham Workforce Development Board		19463	37,016	-
Passed through from Employ Baton Rouge		54722	32,956	-
Passed through from Employ Indy		S0506-WCF-19-WOI	798,239	-
Passed through from Employ Indy		P0506-RESEA-24-EOR	648,209	-
Passed through from Guilford Works		2022-5218	372,417	-
Passed through from Kansas Local Workforce Development Board		n/a	29,250	-
Passed through from Lower Savannah Workforce Development Area		3DAY697ED	49,753	-
Passed through from Lower Savannah Workforce Development Area		3AC97ED	547,680	-
Passed through from Lower Savannah Workforce Development Area		22ADWEBAED	101,825	-
Passed through from Northeast Indiana Adult		Eckerd 2023-01	757,059	-
Passed through from Pee Dee Regional Council of Governments		3DS0711 / 3A50711	838,990	-
Passed through from Pee Dee Regional Council of Governments		3A60711	34,743	-
Passed through from Pee Dee Regional Council of Governments		3150711	47,521	-
Passed through from Philadelphia Works		TW24-074	496,522	-
Passed through from Santee Lynches Workforce Development Board		234710E2	243,533	-
Passed through from Santee Lynches Workforce Development Board		234710E1	57,749	-
Passed through from Santee Lynches Workforce Development Board		224710E3	75,290	-
Passed through from Santee Lynches Workforce Development Board		234710E3	63,196	-
Passed through from Shreveport One Stop Operator		PY 2023-2024	31,288	-
Passed through from Southern Indiana Works		n/a	224,696	-
Passed through from State of Maryland Prince George County		2022CR-WDB-001	153,789	-
Passed through from Upper Savannah Council of Governments		31996E1	134,932	-
Passed through from Upper Savannah Council of Governments		31396E1	388,582	-
Passed through from Upper Savannah Council of Governments		n/a	17,840	-
Passed through from Virginia Career Works		n/a	410,702	-
Passed through from Western Arkansas Planning and Development District		n/a	12,669	-
Passed through from Southwest Arkansas Workforce Development Board		n/a	25,397	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	156,375	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	101,556	-
Passed through from WorkSource Montgomery, Inc.		2019-0001	50,001	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C014 - 2022	326,419	-
Passed through from State of California County of Ventura		9242	17,862	-
Total WIOA Adult Program			10,470,573	-
WIOA Youth Activities:	17,259			
Passed through from Acadiana Workforce Solutions		WIOA Y0820	593,003	-
Passed through from Appalachian Council on Government		23Y495E2	424,714	-
Passed through from Appalachian Council on Government		22EBY495E1	59,915	-
Passed through from Career Source Research Coast		20-002-YWS	752,647	-
Passed through from CareerSource Flagler Volusia		n/a	614,060	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	690,489	-
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	1,112,269	-
Passed through from Denver Economic Development & Opportunity		22EBY04-GCWDDB	50,497	-
Passed through from Denver Economic Development & Opportunity		23081	436,745	-
Passed through from Durham Workforce Development Board		17584	190,245	-
Passed through from Durham Workforce Development Board		19463	27,720	-
Passed through from Eastern Carolina Workforce Development Board		23-4040-40-6716-02/03/08	257,438	-
Passed through from Employ Baton Rouge		54722	32,956	-
Passed through from First Coast Workforce Development Board		FCWD 2023-2024-02-OSY	495,612	-
Passed through from Employ Indy		S0506-WCF-19-WOI Mod 1	37,788	-
Passed through from Employ Indy		S0506-JAG-23-1SY	400,833	-
Passed through from Lancaster County Workforce Development Board		060-22-3301	239,748	-
Passed through from Lower Savannah Workforce Development Area		3DAY697ED	59,082	-
Passed through from Lower Savannah Workforce Development Area		3Y008	519,278	-
Passed through from Lower Savannah Workforce Development Area		22YEBAED	55,060	-
Passed through from Pasco Hernando Workforce Board, Inc.		n/a	733,860	-
Passed through from Pee Dee Regional Council of Governments		3Y50711	447,883	-
Passed through from Pee Dee Regional Council of Governments		2E50711	52,293	-
Passed through from Philadelphia Works		YO24-018	243,191	-
Passed through from Philadelphia Works		TW24-074	82,754	-
Passed through from San Joaquin County WorkNet		2021-003	200,328	-
Passed through from Santee Lynches Workforce Development Board		233610EC	332,300	-
Passed through from Santee Lynches Workforce Development Board		234710E1	78,985	-
Passed through from Santee Lynches Workforce Development Board		223610EC2	31,910	-
Passed through from Shreveport One Stop Operator		PY 2023-2024	31,288	-
Passed through from Southern Indiana Works		n/a	281,064	-

(Continued)

ECKERD CONNECTS

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

Federal Agency Pass-through Entity/ Federal Program/State Project	Federal Assistance Listing Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
WIOA Youth Activities - Continued:	17.259			
Passed through from State of Maryland Prince George County		2022CR-WDB-001	\$ 153,789	-
Passed through from State of Maryland Prince George County		2022CR-WDB-002	508,886	-
Passed through from State of Ohio Franklin County Department of Job and Family Services		25-24-5790	845,298	-
Passed through from Upper Savannah Council of Governments		32996E1	47,103	-
Passed through from Upper Savannah Council of Governments		23966E1	143,328	-
Passed through from Virginia Career Works		n/a	128,596	-
Passed through from Western Arkansas Planning and Development District		n/a	12,669	-
Passed through from Southwest Arkansas Workforce Development Board		n/a	25,397	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	297,058	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	127,513	-
Passed through from WorkSource Montgomery		2019-0001	50,001	-
Passed through from WorkSource Montgomery		EYA-OSY-2022-002	370,956	-
Passed through from State of California County of San Luis Obispo		C022 - 2021	453,466	-
Passed through from State of California County of Ventura		9242	17,862	-
			<u>12,747,877</u>	-
Total WIOA Youth Activities				-
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from Acadiana Workforce Solutions		WIOA ADW0820	320,239	-
Passed through from Appalachian Council on Government		23D295E1	69,498	-
Passed through from Appalachian Council on Government		23D995E1	21,177	-
Passed through from Appalachian Council on Government		23EBA995E2	39,761	-
Passed through from Appalachian Council on Government		23EBA295E2	25,164	-
Passed through from Appalachian Council on Government		23IETA295E1	2,314	-
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	19,922	-
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	1,147,400	-
Passed through from Durham Workforce Development Board		19714	140,661	-
Passed through from Durham Workforce Development Board		19463	20,555	-
Passed through from Employ Baton Rouge		54722	32,956	-
Passed through from Employ Indy		S0506-WCF-19-WOI	836,028	-
Passed through from Guilford Works		2022-5218	165,914	-
Passed through from Kansas Local Workforce Development Board		n/a	29,250	-
Passed through from Lower Savannah Workforce Development Area		3DC97ED	183,745	-
Passed through from Lower Savannah Workforce Development Area		3DAY697ED	46,644	-
Passed through from Pee Dee Regional Council of Governments		3D50711 / 3A50711	154,584	-
Passed through from Pee Dee Regional Council of Governments		3D60711	17,712	-
Passed through from Pee Dee Regional Council of Governments		2R50711	37,549	-
Passed through from Philadelphia Works		TW24-074	331,015	-
Passed through from Santee Lynches Workforce Development Board		234710E2	67,438	-
Passed through from Santee Lynches Workforce Development Board		234710E1	16,041	-
Passed through from Shreveport One Stop Operator		PY 2023-2024	31,288	-
Passed through from Southern Indiana Works		n/a	152,302	-
Passed through from State of California County of San Luis Obispo Department of Social Services		C014 - 2023	233,811	-
Passed through from State of Maryland Prince George County		2022CR-WDB-001	153,789	-
Passed through from Virginia Career Works		n/a	50,004	-
Passed through from Upper Savannah Workforce Development		32996E1	26,579	-
Passed through from Upper Savannah Workforce Development		32396E1	60,009	-
Passed through from Western Arkansas Planning and Development District		n/a	12,669	-
Passed through from Southwest Arkansas Workforce Development Board		n/a	25,397	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	158,042	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	101,556	-
Passed through from WorkSource Montgomery		2019-0001	50,001	-
Passed through from State of California County of Ventura		9242	17,862	-
			<u>4,798,876</u>	-
Total WIOA Dislocated Worker Formula Grants				-
Total WIOA Cluster			<u>28,017,326</u>	-
<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	51,757	-
Passed through from Workforce Investment Board of Southwest Missouri		AA-34778-20-55-A-29	79,579	-
			<u>131,336</u>	-
Total Employment Service/Wagner-Peyser Funded Activities Program and Employment Service Cluster				-
Unemployment Insurance Program:	17.225			
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	182,566	-
Passed through from Northeast Indiana Works		Eckerd 2023-01	470,803	-
Passed through from Southern Indiana Works		n/a	318,197	-
Passed through from Workforce Development Board of Western Missouri		20-30-12	10,201	-
			<u>981,767</u>	-
Total Unemployment Insurance Program				-
Trade Adjustment Assistance for Workers Program:	17.245			
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	64,841	-
			<u>64,841</u>	-
Total Trade Adjustment Assistance for Workers Program				-

(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
HIB Job Training Grants:	17.268			
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	\$ 494,232	-
Passed through from Northeast Indiana Works		Eckerd 2023-01	53,276	-
Passed through from Southern Indiana Works		n/a	67,004	-
Passed through from Pee Dee Regional Council of Governments		3H5071I	771,264	-
Total HIB Job Training Grants			1,385,776	-
Reentry Employment Opportunities:	17.270			
Direct federal award from U.S. Department of Labor		PE-36547WR1	1,343,700	-
Passed through from Wake County, North Carolina		EC0000000010412	345,659	-
Passed through from the City of Durham, North Carolina		n/a	151,327	-
Passed through from Durham Workforce Development Board		14547	78,283	-
Passed through from Kerr-Tar Workforce Development Board		n/a	293,935	-
Total Reentry Employment Opportunities			2,212,904	-
YouthBuild:	17.274			
Passed through from Citrus Levy Marion Regional Workforce Development Board		PY22-LOA-06	315,841	-
Total YouthBuild			315,841	-
WIOA National Dislocated Worker Grants / WIA National Emergency Grants:	17.277			
Passed through from Pee Dee Regional Council of Governments		3N5071I	194,616	-
Passed through from Southern Indiana Works		n/a	111,364	-
Total Workforce Investment Act (WIA) National Emergency Grants			305,980	-
Registered Apprenticeship:	17.285			
Passed through from Denver Economic Development & Opportunity		OEDEV-202368438-00	189,733	-
Total Registered Apprenticeship			189,733	-
Total U.S. Department of Labor			33,605,504	-
Total Expenditures of Federal Awards - Eckerd Connects			53,211,300	-
Paxen, LLC:				
U.S Department of Labor:				
WIOA Cluster:				
WIOA Adult Program:	17.258			
Passed through from River Valley Regional Commission		AA-307-43-17-55-A-13	196,939	-
Passed through from Coastal Workforce Services		2023-ECP-CM-03	111,431	-
Total WIOA Adult Program			308,370	-
WIOA Youth Activities:	17.259			
Passed through from River Valley Regional Commission		AA-38524-33-55-A-13	285,331	-
Passed through from Southern Georgia Regional Commission		23-03	320,074	-
Passed through from Northeast Georgia Regional Commission		AA-38524-22-55-A-13	214,015	-
Passed through from Macon-Bibb County Workforce Development Board		AA-32361-18-55-A-13	-	-
Passed through from Northwest Georgia Regional Commission		01-23-20-0167	266,281	-
Passed through from Southwest Georgia Workforce Development Board		PY23-126-WIOA	359,457	-
Total WIOA Youth Activities			1,445,158	-
WIOA Dislocated Worker Formula Grants:	17.278			
Passed through from Coastal Workforce Services		2023-ECP-CM-03	136,194	-
Total WIOA Dislocated Worker Formula Grants			136,194	-
Total WIOA Cluster			1,889,722	-
Total Expenditures of Federal Awards - Paxen, LLC			1,889,722	-
Total Expenditures of Federal Awards - All Entities			\$ 55,101,022	-

ECKERD CONNECTS

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

State Agency/ Pass-through Entity/ State Project	CSFA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Eckerd Connects - State of Florida State Financial Assistance:				
<i>Department of Children and Families:</i>				
Out of Home Supports:	60.074			
Passed through from Community Partnership for Children		D12-23-EYA-SVP	\$ 63,484	-
Total Out of Home Supports			63,484	-
Total Department of Children and Families			63,484	-
<i>Department of Juvenile Justice:</i>				
Day Treatment Services:	80.021			
Direct state award from Department of Juvenile Justice		10591	2,534,002	-
Direct state award from Department of Juvenile Justice		10645	1,409,532	-
Total Day Treatment Services			3,943,534	-
Total Department of Juvenile Justice			3,943,534	-
Total Expenditures of State of Florida State Financial Assistance - Eckerd Connects			\$ 4,007,018	-

ECKERD CONNECTS

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

Year Ended June 30, 2024

(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 affiliate, Paxen, LLC (collectively, "Eckerd Connects") under programs of the federal government and the State of Florida for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and Chapter 10.650, *Rules of the State of Florida Auditor General*. Because the Schedule presents only a selected portion of the operations of Eckerd Connects, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of Eckerd Connects.

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

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

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

Eckerd Connects and its affiliates had non-cash assistance in the form of food commodities totaling \$7,614 for the year ended June 30, 2024. Eckerd Connects and its affiliates did not have Federal Insurance in force during the year ended June 30, 2024.

(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. Paxen, LLC has 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, 2024 were as follows:

Federal Assistance Listing Number	Federal Program	Eckerd Youth Alternatives, Inc.	Paxen, LLC	Total Federal Expenditures
	<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program	\$ 87,273	-	87,273
10.555	National School Lunch Program	184,599	-	184,599
	Total Child Nutrition Cluster	271,872	-	271,872
	<i>SNAP Cluster:</i>			
10.561	National School Lunch Program	227	-	227
	<i>Food Distribution Cluster:</i>			
10.569	Emergency Food Assistance Program (Food Commodities)	7,614	-	7,614
	<i>Economic Development Cluster:</i>			
11.307	Economic Adjustment Assistance	140,814	-	140,814
	<i>WIOA Cluster:</i>			
17.258	WIOA Adult Program	10,470,573	308,370	10,778,943
17.259	WIOA Youth Activities	12,747,877	1,445,158	14,193,035
17.278	WIOA Dislocated Worker Formula Grants	4,798,876	136,194	4,935,070
	Total WIOA Cluster	28,017,326	1,889,722	29,907,048
	<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities	131,336	-	131,336
17.225	Unemployment Insurance Program	981,767	-	981,767
17.245	Trade Adjustment Assistance for Workers	64,841	-	64,841
17.268	H-1B Job Training Grants	1,385,776	-	1,385,776
17.270	Reentry Employment Opportunities	2,212,904	-	2,212,904
17.274	YouthBuild	315,841	-	315,841
17.277	WIOA National Dislocated Worker Grants/ WIA National Emergency Grants	305,980	-	305,980
17.285	Registered Apprenticeship	189,733	-	189,733
21.019	Coronavirus Relief Fund	299,540	-	299,540
66.039	Diesel Emission Reduction Act (DERA) National Grants	482	-	482
84.000	E-Rate	29,561	-	29,561
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	35,986	-	35,986
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	273,150	-	273,150
84.425U	American Rescue Plan—Elementary and Secondary School Emergency Relief (ARP ESSER)	104,879	-	104,879
93.556	MaryLee Allen Promoting Safe and Stable Families Program	44,970	-	44,970
93.558	Temporary Assistance to Needy Families	7,154,123	-	7,154,123
93.575	Child Care and Development Block Grant	26,867	-	26,867
	<i>Head Start Cluster:</i>			
93.600	Head Start	6,952,354	-	6,952,354
93.645	Stephanie Tubbs Jones Child Welfare Services Program	22,283	-	22,283
93.658	Foster Care Title IV-E	1,041,324	-	1,041,324
93.659	Adoption Assistance	12,483	-	12,483
	<i>Medicaid Cluster:</i>			
93.778	Medical Assistance Program	1,134	-	1,134
93.788	Opioid STR	224,173	-	224,173
93.958	Block Grants for Community Mental Health Services	408	-	408
93.959	Block Grant for the Prevention and Treatment of Substance Abuse	2,961,552	-	2,961,552
		<u>\$ 53,211,300</u>	<u>1,889,722</u>	<u>55,101,022</u>

INTERNAL CONTROL AND COMPLIANCE



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Consolidated Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Eckerd Youth Alternatives, Inc. (d/b/a Eckerd Connects) and Affiliates (collectively, "Eckerd Connects"), which comprise the consolidated statement of financial position as of June 30, 2024, 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 27, 2024.

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.

CBIZ CPAs P.C.¹

December 27, 2024
St. Petersburg, Florida

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.



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, 2024. 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.

CBIZ CPAs P.C.¹

December 27, 2024
St. Petersburg, Florida

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

ECKERD CONNECTS

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

(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:

WIOA Cluster (AL No. 17.258, 17.259 and 17.278)
Reentry Employment Opportunities (AL No. 17.270)

Florida State Project:

Day Treatment Services (CSFA No. 80.021)

7. The threshold for distinguishing Types A and B programs was \$1,653,031 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.

(B) Findings - Audit of Consolidated Financial Statements

None.

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

None.

ECKERD CONNECTS

Schedule of Findings and Questioned Costs - Continued

(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 2023 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, 2024, and have issued our report thereon dated December 27, 2024.

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 27, 2024, 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.

CBIZ CPAs P.C.¹

December 27, 2024
St. Petersburg, Florida

CBIZ CPAs P.C.
140 Fountain Parkway North, Suite 410
St. Petersburg, FL 33716

Phone: 727.572.1400
Fax: 727.571.1933
cbizcpas.com

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