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**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Financial Statements, Supplementary Financial
Information and Reports as Required by the
Comptroller General of the United States

September 30, 2014 and 2013



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**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

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AUDITED FINANCIAL STATEMENTS



**Independent Auditors' Report on Combined Basic Financial Statements
and Supplementary Financial Information**

The Board of Directors
MacDonald Training Center, Inc. and Affiliates:

We have audited the accompanying combined financial statements of MacDonald Training Center, Inc. and Affiliates (a nonprofit organization) which comprise the combined statement of financial position as of September 30, 2014, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Managements Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of MacDonald Training Center, Inc. and Affiliates as of September 30, 2014, and the changes in their net assets and their functional expenses and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

Prior Period Financial Statements and Report on Summarized Comparative Information

The combined financial statements of MacDonald Training Center, Inc. and Affiliates, as of September 30, 2013, were audited by other auditors, Lewis, Birch & Ricardo, LLC whose members became shareholders of Mayer Hoffman McCann P.C. as of February 1, 2014, and whose report dated January 29, 2014, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Other information

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2015 on our consideration of MacDonald Training Center, Inc. and Affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 MacDonald Training Center, Inc. and Affiliates internal control over financial reporting and compliance.

Our audit was performed for the purpose of forming an opinion on the combined financial statements of MacDonald Training Center, Inc. and Affiliates taken as a whole. The supplementary financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

MAYER HOFFMAN McCANN P.C.

Clearwater, Florida
January 28, 2015

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Statements of Financial Position

September 30, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents (note 5)	\$ 140,085	139,916
Accounts receivable:		
Grants and funding sources	48,747	66,792
Medwaiver and private pay, net of allowance for doubtful accounts of \$16,061 and \$20,942 in 2014 and 2013, respectively	187,013	182,821
Commercial, net of allowance for doubtful accounts of \$2,773 and \$4,329 in 2014 and 2013, respectively	227,154	313,033
Other	23,553	30,820
Current portion of contributions receivable (note 4)	124,830	170,245
Inventories	145,262	176,186
Prepaid expenses and other current assets	59,744	26,534
	<hr/>	<hr/>
Total current assets	956,388	1,106,347
Investments (note 2)	2,514,300	2,699,196
Real estate investment	862,000	862,000
Contributions receivable, less current portion (note 4)	168,822	163,793
Receivable under charitable remainder trust (note 13)	69,602	68,373
Property and equipment, net (notes 3, 7 and 8)	3,582,716	3,704,081
Other assets	35,888	38,138
	<hr/>	<hr/>
	\$ <u>8,189,716</u>	<u>8,641,928</u>

See accompanying notes to combined financial statements.

<u>Liabilities and Net Assets</u>	<u>2014</u>	<u>2013</u>
Current liabilities:		
Short-term notes payable (note 6)	\$ 491,906	365,000
Current installments of capital lease obligations (note 8)	11,244	10,823
Accounts payable and accrued expenses	486,722	508,857
Deferred revenue	<u>65,692</u>	<u>65,980</u>
Total current liabilities	1,055,564	950,660
Deposit liability (notes 3 and 8)	1,658,441	1,904,040
Capital lease obligations, less current installments (note 8)	25,481	6,243
Long-term debt, excluding current installments (note 7)	<u>13,119</u>	<u>13,119</u>
Total liabilities	<u>2,752,605</u>	<u>2,874,062</u>
Net assets:		
Unrestricted-		
Undesignated	(182,524)	(5,406)
Designated for long-term purposes (note 11)	1,717,859	1,657,156
Net investment in property and equipment	<u>1,713,717</u>	<u>1,760,605</u>
	3,249,052	3,412,355
Temporarily restricted (note 10)	<u>2,188,059</u>	<u>2,355,511</u>
Total net assets	5,437,111	5,767,866
Commitments and contingencies (notes 8, 10 and 12)		
	<u>\$ 8,189,716</u>	<u>8,641,928</u>

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Statements of Unrestricted Support and Revenue, Expenses
and Other Changes in Unrestricted Net Assets

Years ended September 30, 2014 and 2013

	2014	2013
Operating Support and Revenue (note 5):		
<i>Support:</i>		
Special events revenue	\$ 114,469	77,576
Less special event costs	<u>(46,014)</u>	<u>(13,482)</u>
Net revenue from special events	68,455	64,094
Contributions	346,175	305,340
United Way allocation	<u>134,813</u>	<u>134,813</u>
	<u>549,443</u>	<u>504,247</u>
<i>Revenue:</i>		
Product sales	1,649,431	1,637,069
Cost of product sales	<u>(500,026)</u>	<u>(478,608)</u>
Net product sales	1,149,405	1,158,461
Medwaiver and private pay	2,563,739	2,612,009
Funding contracts	356,029	391,750
Rental income	75,607	71,663
Investment return designated for:		
Current operations (note 2)	280,000	306,000
Employee bonuses (note 2)	134,993	-
Other revenue	<u>6,841</u>	<u>6,958</u>
	<u>4,566,614</u>	<u>4,546,841</u>
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions - United Way	44,937	42,188
Expiration of time restrictions on capital assets	134,287	140,217
Satisfaction of use restrictions	<u>110,266</u>	<u>145,508</u>
	<u>289,490</u>	<u>327,913</u>
Total operating support and revenue	<u>5,405,547</u>	<u>5,379,001</u>
Operating Expenses:		
<i>Program services</i>	4,421,070	4,461,854
<i>Supporting services:</i>		
Management and general	849,723	793,291
Development	<u>218,604</u>	<u>199,632</u>
	<u>1,068,327</u>	<u>992,923</u>
Total operating expenses	<u>5,489,397</u>	<u>5,454,777</u>
Decrease in unrestricted net assets from operations	(83,850)	(75,776)
Other Changes:		
Gain on property disposal, net (note 8)	105,595	-
Investment return in excess of (deficient to fund) amounts designated for current operations and bonuses (note 2)	<u>(185,048)</u>	<u>7,552</u>
Decrease in unrestricted net assets	<u>\$ (163,303)</u>	<u>(68,224)</u>

See accompanying notes to combined financial statements.

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Statements of Changes in Net Assets

Years ended September 30, 2014 and 2013

	2014	2013
Unrestricted net assets:		
Unrestricted operating support and revenue	\$ 5,116,057	5,051,088
Unrestricted operating expenses	(5,489,397)	(5,454,777)
Gain on property disposal	105,595	-
Investment return in excess of (deficient to fund) amounts designated for current operations and bonuses (note 2)	(185,048)	7,552
Net assets released from restrictions	289,490	327,913
Decrease in unrestricted net assets	(163,303)	(68,224)
Temporarily restricted net assets:		
Contributions	75,872	191,527
United Way support	44,937	44,937
Change in value of split-interest agreements	1,229	680
Net assets released from restrictions	(289,490)	(327,913)
Decrease in temporarily restricted net assets	(167,452)	(90,769)
Decrease in net assets	(330,755)	(158,993)
Net assets, at beginning of year	5,767,866	5,926,859
Net assets, at end of year	\$ 5,437,111	5,767,866

See accompanying notes to combined financial statements.

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Statement of Functional Expenses

Year ended September 30, 2014
(With comparative totals for 2013)

	<i>Program Services</i>				
	Adult Day Training	Supported Living	Supported Employment	Transportation	Total
Leased employees	\$ 1,652,542	1,192,541	302,702	178,825	3,326,610
Professional fees	61,374	40,620	10,379	8,819	121,192
Contract labor	-	-	-	-	-
Occupancy	210,379	15,119	8,969	-	234,467
Insurance	141,928	11,781	6,919	9,350	169,978
Equipment	5,504	1,110	270	1,455	8,339
Travel and transportation	6,798	19,344	15,427	109,124	150,693
Shipping costs	9,248	-	-	-	9,248
Communications	19,466	13,743	3,242	2,095	38,546
Bad debt expense	-	-	-	-	-
Office expense	35,093	7,613	2,247	295	45,248
Interest	942	-	-	-	942
Robert Chase Scholarships	-	-	-	-	-
Other	40,002	6,214	1,453	701	48,370
Total expenses before depreciation and amortization	2,183,276	1,308,085	351,608	310,664	4,153,633
Depreciation and amortization	186,782	14,955	8,804	56,896	267,437
	\$ 2,370,058	1,323,040	360,412	367,560	4,421,070

See accompanying notes to combined financial statements.

<i>Supporting Services</i>			Total Expenses	
Management and General	Development	Total	2014	2013
678,605	115,276	793,881	4,120,491	4,058,000
63,339	13,291	76,630	197,822	212,906
250	13,138	13,388	13,388	26,131
16,656	5,125	21,781	256,248	248,820
12,903	4,114	17,017	186,995	169,444
14,445	-	14,445	22,784	14,008
3,029	1,237	4,266	154,959	151,923
-	-	-	9,248	6,924
5,578	-	5,578	44,124	51,887
-	3,755	3,755	3,755	12,421
3,734	15,256	18,990	64,238	65,174
16,252	-	16,252	17,194	16,468
-	36,693	36,693	36,693	38,023
34,685	4,138	38,823	87,193	91,275
849,476	212,023	1,061,499	5,215,132	5,163,404
247	6,581	6,828	274,265	291,373
<u>849,723</u>	<u>218,604</u>	<u>1,068,327</u>	<u>5,489,397</u>	<u>5,454,777</u>

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combined Statements of Cash Flows

Years ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Decrease in net assets	\$ (330,755)	(158,993)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	274,265	291,373
Gain on property disposal	(105,595)	-
Realized and unrealized gains on investments	(183,471)	(280,171)
Change in value of split-interest agreement	(1,229)	(680)
Noncash contribution of property	(44,000)	-
Changes in assets and liabilities:		
Decrease in accounts receivable	147,385	128,445
Decrease in inventories	30,924	13,146
Increase in prepaid expenses and other assets	(30,960)	(7,355)
Decrease in accounts payable and accrued expenses	(22,135)	(6,727)
Decrease in deferred revenue	(288)	(530)
	<u>(265,859)</u>	<u>(21,492)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(136,378)	(83,195)
Purchases of investments	(1,051,103)	(1,733,247)
Proceeds from the sale of investments	1,419,470	2,006,444
	<u>231,989</u>	<u>190,002</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Decrease in deposit liability	(78,866)	(84,240)
Net borrowings (repayments) under short-term notes payable	126,906	(95,000)
Principal payments on capital lease obligations	(14,001)	(27,184)
	<u>34,039</u>	<u>(206,424)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	169	(37,914)
Cash and cash equivalents, beginning of year	<u>139,916</u>	<u>177,830</u>
Cash and cash equivalents, end of year	<u>\$ 140,085</u>	<u>139,916</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 17,194	16,468
Equipment financed with a capital lease obligation	\$ 33,660	16,903
Property sale resulting in deposit liability reduction	\$ 166,733	-

See accompanying notes to combined financial statements.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

September 30, 2014 and 2013

(1) **Description of Organization and Summary of Significant Accounting Policies**

(a) **Description of Organization**

MacDonald Training Center, Inc. and its affiliates, MacDonald Training Center Properties, Inc. and MacDonald Training Center Foundation, Inc. (collectively referred to as the "Organization"), were organized for the purpose of providing subsidized facilities and a wide variety of quality services to individuals with disabilities to enable them to live and function in the least restrictive environment possible. The Organization also provides a workshop staffed by individuals with disabilities and sells the inventory produced at the workshop to commercial entities.

(b) **Principles of Combination**

The combined financial statements include the financial statements of MacDonald Training Center, Inc. and its affiliates, MacDonald Training Center Properties, Inc. and MacDonald Training Center Foundation, Inc. All significant interorganization balances and transactions have been eliminated in the combination.

(c) **Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) has issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105 - *Generally Accepted Accounting Principles*.

(d) **Financial Statement Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended September 30, 2013, from which the summarized information was derived.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(e) **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(f) **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(g) **Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At September 30, 2014 and 2013, approximately 89% and 96%, respectively, of net commercial receivables are due from Respect of Florida.

(h) **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying combined financial statements. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized. The fair value of the Organization's real estate is not readily determinable and is stated at cost.

(i) **Property and Equipment**

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets. Expenditures for property and equipment are stated at cost, and those in excess of \$1,000 are capitalized. Contributed property and equipment is recorded at fair value at the date of donation. The estimated useful lives of related asset classes are as follows:

Buildings and improvements	5 to 30 years
Furniture and equipment	3 to 15 years
Transportation equipment	5 years

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(j) **Inventories**

Inventories consist of raw materials and finished goods which are stated at the lower of cost or market using the first-in, first-out costing method. The majority of the inventory on hand consists of SunPass units and packaging supplies in addition to sewing and paper supplies and calendars and safety vests produced by the Organization's clientele.

(k) **Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation.

FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization's income tax filings are subject to audit by taxing authorities and filings for periods after fiscal 2010 are open for examination. The Organization does not believe it has any unrecognized exposure relating to uncertain tax positions at September 30, 2014.

(l) **Fair Value Measurements**

The Organization has adopted the provisions of ASC 820, *Fair Value Measurements*. ASC 820 requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

The carrying amount reported in the combined statement of financial position for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

(m) **Estimates in Combined Financial Statements**

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States 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 combined financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(2) Investments

At September 30, 2014 and 2013, the cost and market value of investments were as follows:

	2014		2013	
	Cost	Market	Cost	Market
Money market fund	\$ 94,076	94,076	124,671	124,671
Certificates of deposit	100,000	100,414	100,000	102,224
Government bonds	140,997	141,692	166,469	165,691
Common stocks	410,276	629,524	505,605	667,142
Mutual funds and exchange traded funds	1,350,750	1,515,724	1,492,132	1,609,459
Community Foundation	25,000	32,870	25,000	30,009
	<u>\$ 2,121,099</u>	<u>2,514,300</u>	<u>2,413,877</u>	<u>2,699,196</u>

At September 30, 2014 and 2013, the Organization's investments in common stocks and fixed income securities are not concentrated in a single entity or in a few entities nor are there any specific industry concentrations.

The following schedule summarizes investment return for the years ended September 30, 2014 and 2013:

	2014	2013
Interest and dividends	\$ 73,039	55,180
Net realized and unrealized gains	183,471	280,171
Investment management fees	(26,565)	(21,799)
Total investment return	229,945	313,552
Investment return designated for current operations	280,000	306,000
Investment return designated for funding of employee bonuses	134,993	-
Investment return in excess of (deficient to fund) amounts designated for current operations and bonuses	\$ (185,048)	7,552

During the year ended September 30, 2014, the Organization's board of directors approved a one-time distribution of \$134,993 to fund employee bonuses.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(3) Property and Equipment

Property and equipment at September 30, 2014 and 2013 consist of the following:

	2014	2013
Land and improvements	\$ 1,706,992	1,660,210
Buildings and improvements	4,458,734	4,632,769
Furniture and equipment	654,441	699,425
Computers and software	389,859	377,193
Construction in progress	-	7,605
Transportation equipment	689,436	701,000
	<u>7,899,464</u>	<u>8,078,202</u>
 Less accumulated depreciation and amortization	 <u>4,316,748</u>	 <u>4,374,121</u>
	 <u>\$ 3,582,716</u>	 <u>3,704,081</u>

Depreciation expense for the years ended September 30, 2014 and 2013 was \$274,265 and \$291,373, respectively.

In 2006, the Organization sold eleven of its residential facilities for \$2,632,000 and entered into a five-year lease for a portion of each facility with the buyer. Under the terms of the sale-leaseback agreement, the Organization is required to guarantee all rent payments due from the other tenants occupying each facility which total \$15,642 per month during the lease term. The Organization has also guaranteed rent due on all facilities for a period of up to six months after the homes have been vacated upon termination of the lease. The Organization is required to reimburse the buyer for increases in property taxes and/or property insurance which exceed 10% in any one year. Lastly, the Organization is required to pay all of the closing costs of the buyer upon resale of the homes. Because the terms of the sale-leaseback agreement require continuing involvement by the Organization, the net proceeds received from the sale have been accounted for as a deposit liability in the accompanying combined statements of financial position as of September 30, 2014 and 2013. In January 2014, one of the facilities was sold which reduced the net book value of property and equipment by \$58,932 and also reduced the related deposit liability by \$164,808. The Organization's lease commitment under the terms of the sale-leaseback agreement is more fully described in Note 8.

As more fully explained in Note 10, the City of Tampa and Hillsborough County conveyed their remainder interests in the Organization's property through a quit claim deed and issued deferred payment mortgages in the total amount of \$2,673,000. At September 30, 2014 and 2013, the net book value of the property subject to these liens was \$1,705,360 and \$1,801,694, respectively.

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MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(4) Contributions Receivable

Contributions receivable as of September 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
United Way allocations	\$ 44,937	44,937
Shattering Barriers pledges	19,615	40,687
Business plan competition award	-	25,000
Arts Council of Hillsborough County award	-	15,986
Florida Department of Transportation	38,563	39,600
Foundation contribution	244,800	221,000
Less allowance for uncollectible pledges	(4,200)	(4,200)
Less unamortized discount	<u>(50,063)</u>	<u>(48,972)</u>
	<u>\$ 293,652</u>	<u>334,038</u>
Amounts due in:		
Less than one year	\$ 124,830	170,245
One to five years	85,385	75,065
More than five years	<u>137,700</u>	<u>141,900</u>
	<u>\$ 347,915</u>	<u>387,210</u>

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.4% to 3.2%, depending on the number of years over which payments are expected to be received.

(5) Credit and Funding Concentrations

The Organization relies to a significant extent on the State of Florida as a source of funding. Funding from the State of Florida represented approximately 52% and 53% of total operating support and revenue for the years ended September 30, 2014 and 2013, respectively.

At September 30, 2014 and 2013, the Organization's cash balances were fully covered by federal deposit insurance.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(6) Short-Term Notes Payable

The Organization has obtained three revolving lines of credit from a commercial bank that allow the Organization to borrow up to \$250,000 under each line of credit. The loans are unsecured and bear interest at the higher of the Wall Street Journal prime rate (3.25% at September 30, 2014) or 4%. At September 30, 2014 and 2013, the outstanding balance on the lines of credit was \$491,906 and \$365,000, respectively.

(7) Long-Term Debt

Long-term debt at September 30, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Non-interest bearing rehabilitation loan from Hillsborough County, payment of principal is deferred until sale of the property; secured by real estate.	\$ <u>13,119</u>	<u>13,119</u>
Total long-term debt	13,119	13,119
Less current installments	<u>-</u>	<u>-</u>
Long-term debt, excluding current installments	\$ <u><u>13,119</u></u>	<u><u>13,119</u></u>

The Organization has no plans to sell the property acquired with the proceeds of the rehabilitation loan from Hillsborough County; therefore, the loan has been classified as a noncurrent liability in the accompanying combined statements of financial position as of September 30, 2014 and 2013.

(8) Leases

At September 30, 2014, the Organization was obligated under capital leases for certain office equipment that expire at various dates through fiscal 2019. At September 30, 2014, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$50,563 and \$6,683, respectively. At September 30, 2013, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$108,733 and \$86,930, respectively. Amortization of the assets held under capital leases is included in depreciation expense.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

The Organization also leases a portion of ten residential facilities under a sale-leaseback agreement which is considered to be a noncancellable operating lease. The operating lease has a five year lease term with two five-year renewal options. Rent paid under the lease for fiscal years 2014 and 2013 was \$80,800 and \$84,240, respectively, and was recorded as a reduction of the related deposit liability. At September 30, 2014 and 2013, the gross amount of assets held under the sale-leaseback agreement was \$1,393,757 and \$1,531,599, respectively, and the related accumulated depreciation was \$710,860 and \$753,698, respectively.

In January 2014, as a result of one of the facilities being sold, the Organization removed property with a net book value of \$58,932 from its books and reduced the related sale-leaseback deposit liability by \$164,808. This transaction resulted in a gain of \$105,876 which is reflected in the accompanying financial statements for the year ended September 30, 2014.

Future minimum lease payments under the noncancellable operating lease and the present value of future minimum capital lease payments as of September 30, 2014 are as follows:

	Capital Leases	Operating Lease	Total
<u>Year ending September 30:</u>			
2015	\$ 13,939	78,489	92,428
2016	9,774	67,824	77,598
2017	8,385	-	8,385
2018	8,385	-	8,385
2019	2,795	-	2,795
Total minimum lease payments	43,278	146,313	189,591
Less amount representing interest	6,553		
Present value of minimum capital lease payments	36,725		
Current installments of capital lease obligations	11,244		
Capital lease obligations, less current installments	\$ 25,481		

(9) Retirement Plan

The Organization has a defined contribution retirement plan which covers all employees with six months of service who have attained the age of 21. After completion of six months of service, employees are eligible to receive matching contributions to the plan. Effective during fiscal 2010, the plan was modified to allow for a discretionary contribution in the amount of 3% of each participant's gross wages, which are paid to the plan in monthly installments. During fiscal 2014 and 2013, the Organization suspended its matching contribution to the plan. No expense was incurred relating to the retirement plan for either of the years ended September 30, 2014 and 2013.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(10) Temporary Restrictions on Net Assets

Temporary restrictions on net assets as of September 30, 2014 and 2013 relate to the following:

	2014	2013
Outstanding pledges	\$ 15,827	37,828
United Way allocation	44,937	44,937
Lien on contributed vehicles	113,245	111,598
Grant restricted for workforce community	-	31,055
Lien on operating facility	1,705,360	1,801,694
Grant restricted for acquisition of vehicles	38,563	39,600
Business plan competition award	-	25,000
Arts Council of Hillsborough County award	-	15,986
Charitable remainder trust	69,602	68,373
Contributions restricted for future periods	200,525	173,616
Other	-	5,824
	\$ 2,188,059	2,355,511

In 1999, the Organization sold property originally contributed to the Organization by the City of Tampa (“City”) and by Hillsborough County (“County”). The property sold was subject to an 80% reverter interest in favor of the City and a 10% reverter interest in favor of the County. The sales proceeds were used to purchase property totaling \$2,982,759 and the reverter interests held by the City and the County were transferred to the new property.

Effective October 16, 2009, the City agreed to convey its remainder interest in the property through a quit claim deed and issued a deferred payment purchase money mortgage in the amount of \$2,376,000. Effective November 24, 2009, the County also agreed to convey its remainder interest in the property through a quit claim deed and issued a deferred payment purchase money mortgage in the amount of \$297,000. Both of the deferred payment purchase money mortgages are non-interest bearing. Payment under both of these mortgages is due only upon the sale of the property without prior approval of each governmental agency or if the property is no longer used to provide services to persons with disabilities.

Since the Organization has no plans or intentions to sell the property or otherwise default under the terms of the deferred payment purchase money mortgages, the liens are recorded in the accompanying combined statements of financial position as a component of temporarily restricted net assets equal to 90% of the remaining net book value of the property totaling \$1,705,360 and \$1,801,694 as of September 30, 2014 and 2013, respectively. For the years ended September 30, 2014 and 2013, the Organization recorded a release of restriction equal to depreciation expense on the property totaling \$96,334 and \$96,468, respectively.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(11) Board-Designated Endowment

The Board of Directors of MacDonald Training Center Foundation, Inc. has designated a portion of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as unrestricted net assets.

Investment Return Objectives, Risk Parameters, and Strategies. The Organization has adopted an investment policy statement approved by the Board of Directors. The policy statement stipulates that the endowment investments should be managed as a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities market, 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 the account performance, the Organization will pursue a strategy seeking to exceed a benchmark return of a target portfolio ranging from 65% - 70% equities and 35% - 30% fixed income securities.

Spending Policy. The Organization's spending policy allows for an annual distribution equal to 6% of the fair value of endowment funds as of the prior June 30th of each year. If extraordinary circumstances warrant an additional distribution, the Organization's spending policy allows for a maximum distribution up to 10% of the fair value of endowment funds as of the prior June 30th each year.

Composition of and changes in endowment fund net assets for the years ended September 30, 2014 and 2013 were as follows:

Balance at September 30, 2012	\$ 1,565,942
Investment income	32,803
Realized and unrealized gains	280,171
Reclassifications	84,240
Withdrawals	<u>(306,000)</u>
Balance at September 30, 2013	1,657,156
Investment income	46,626
Realized and unrealized gains	183,471
Reclassifications	245,599
Withdrawals	<u>(414,993)</u>
Balance at September 30, 2014	<u>\$ 1,717,859</u>

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

(12) Contingencies

The Organization routinely enters into grant agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's 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 combined financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying combined financial statements.

(13) Receivable under Charitable Remainder Trust

In fiscal 2010, the Organization was named the remainder beneficiary under a charitable remainder trust. Under the terms of the trust, quarterly distributions of 5% of the fair market value of the trust assets as of the beginning of the trust plan year are made to the donor over the donor's lifetime. Upon the death of the donor, the remaining assets are available for the Organization's use. The receivable under charitable remainder trust is reported at estimated fair market value in the Organization's combined statement of financial position. At September 30, 2014 and 2013, temporarily restricted net assets related to the charitable remainder trust were approximately \$70,000 and \$68,000, respectively.

(14) Fair Value Measurements

Financial instruments measured at fair value are classified and disclosed in the following 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 governmental bonds, equities, and mutual funds.

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. Investments which are generally included in this category include money market funds, corporate bonds and certificates of deposit.

Level 3 - Valuation is based on unobservable inputs. The Organization's receivable under a charitable remainder trust is considered a level 3 fair value measurement.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

Fair value of assets measured on a recurring basis at September 30, 2014 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2014:				
Money market funds	\$ 94,076	-	94,076	-
Certificates of deposit	100,414	-	100,414	-
Common stocks and options:				
Industrials	92,390	92,390	-	-
Consumer discretionary	40,377	40,377	-	-
Consumer staples	67,695	67,695	-	-
Health care	99,437	99,437	-	-
Energy	82,462	82,462	-	-
Financial	96,854	96,854	-	-
Information technology	102,179	102,179	-	-
Utilities	23,135	23,135	-	-
Telecommunication	24,995	24,995	-	-
Mutual funds and ETF's - equities				
U.S. Large growth	352,708	352,708	-	-
U.S. Large value	319,682	319,682	-	-
U.S. Mid cap growth	111,330	111,330	-	-
U.S. Small-mid core	56,348	56,348	-	-
Other	79,992	79,992	-	-
International	139,480	139,480	-	-
Index	164,119	164,119	-	-
Fixed income funds:				
High yield funds	104,870	104,870	-	-
Taxable corporate/government bond	187,195	187,195	-	-
Government bonds	141,692	-	141,692	-
Total investments	<u>2,481,430</u>	<u>2,145,248</u>	<u>336,182</u>	<u>-</u>
Community Foundation investment	32,870	-	32,870	-
Receivable under charitable remainder trust	<u>69,602</u>	<u>-</u>	<u>-</u>	<u>69,602</u>
	<u>\$ 2,583,902</u>	<u>2,145,248</u>	<u>369,052</u>	<u>69,602</u>

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

Fair value of assets measured on a recurring basis at September 30, 2013 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2013:				
Money market funds	\$ 124,671	-	124,671	-
Certificates of deposit	102,224	-	102,224	-
Common stocks and options:				
Industrials	107,568	107,568	-	-
Consumer discretionary	58,515	58,515	-	-
Consumer staples	59,388	59,388	-	-
Health care	81,794	81,794	-	-
Energy	84,800	84,800	-	-
Financial	98,519	98,519	-	-
Information technology	131,396	131,396	-	-
Utilities	21,825	21,825	-	-
Telecommunication	23,337	23,337	-	-
Exchange traded funds:				
U.S. Large core growth	145,184	145,184	-	-
U.S. Large growth	205,032	205,032	-	-
U.S. Large value	200,107	200,107	-	-
U.S. Mid cap growth	120,192	120,192	-	-
U.S. Mid cap value equity	145,724	145,724	-	-
U.S. Small-mid core	60,902	60,902	-	-
Other	73,190	73,190	-	-
International	148,519	148,519	-	-
Emerging markets	59,410	59,410	-	-
Index	159,111	159,111	-	-
Fixed income funds:				
High yield funds	146,258	146,258	-	-
Taxable corporate/government bond	145,830	145,830	-	-
Government bonds	165,691	-	165,691	-
Total investments	<u>2,669,187</u>	<u>2,276,601</u>	<u>392,586</u>	<u>-</u>
Community Foundation investment	30,009	-	30,009	-
Receivable under charitable remainder trust	<u>68,373</u>	<u>-</u>	<u>-</u>	<u>68,373</u>
	<u>\$ 2,767,569</u>	<u>2,276,601</u>	<u>422,595</u>	<u>68,373</u>

(Continued)

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

The Organization estimates the fair value of the receivable resulting from a beneficial interest in a charitable remainder trust by using an income approach based on calculating the present value of the future distribution expected to be received. This approach takes into account the Organization's determination of an appropriate risk-adjusted discount rate (2.8% at September 30, 2014), expected appreciation of the trust's investments, and published life expectancy information as it relates to the income beneficiary. The Organization remeasures the fair value of its beneficial interest in the charitable remainder trust annually and adjusts the measurement inputs based on statements received from the trustee, market conditions, and other relevant data.

The following table sets forth a summary of changes in fair value of assets using significant unobservable inputs (Level 3) for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<i>Receivable under charitable remainder trust:</i>		
Balance, beginning of the year	\$ 68,373	67,693
Change in fair value due to change in value of underlying assets and actuarial assumptions	1,229	680
Purchases, sales, issuances and settlements, net	<u>-</u>	<u>-</u>
Balance, end of the year	<u>\$ 69,602</u>	<u>68,373</u>

(15) Subsequent Events

The Organization has evaluated subsequent events through January 28, 2015, the date the combined financial statements were available for issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combining Statement of Financial Position

September 30, 2014

<u>Assets</u>	<u>MacDonald Training Center, Inc.</u>	<u>MacDonald Training Center Properties, Inc.</u>	<u>MacDonald Training Center Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Current assets:					
Cash and cash equivalents	\$ 50,798	44,369	44,918	-	140,085
Accounts receivable:					
Grants and funding sources	48,747	-	-	-	48,747
Medwaiver and private insurance, net	187,013	-	-	-	187,013
Commercial, net	227,154	-	-	-	227,154
Other	12,922	6,316	4,315	-	23,553
Intercompany	291,055	-	192,387	(483,442)	-
Current portion of contributions receivable	114,100	-	10,730	-	124,830
Inventories	145,262	-	-	-	145,262
Prepaid expenses and other current assets	47,935	8,819	2,990	-	59,744
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	1,124,986	59,504	255,340	(483,442)	956,388
Investments	-	-	2,514,300	-	2,514,300
Real estate investment	-	862,000	-	-	862,000
Contributions receivable, less current portion	165,725	-	3,097	-	168,822
Receivable under charitable remainder trust	69,602	-	-	-	69,602
Property and equipment, net	295,166	3,267,052	20,498	-	3,582,716
Other assets	-	12,950	22,938	-	35,888
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,655,479	4,201,506	2,816,173	(483,442)	8,189,716
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Short-term notes payable	\$ 491,906	-	-	-	491,906
Current installments of capital lease obligations	11,244	-	-	-	11,244
Accounts payable and accrued expenses	459,226	18,021	9,475	-	486,722
Intercompany	-	483,442	-	(483,442)	-
Deferred revenue	-	65,692	-	-	65,692
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	962,376	567,155	9,475	(483,442)	1,055,564
Deposit liability	-	1,658,441	-	-	1,658,441
Capital lease obligations, less current installments	25,481	-	-	-	25,481
Long-term debt, excluding current installments	-	13,119	-	-	13,119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	987,857	2,238,715	9,475	(483,442)	2,752,605
Net assets	667,622	1,962,791	2,806,698	-	5,437,111
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,655,479	4,201,506	2,816,173	(483,442)	8,189,716
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**MACDONALD TRAINING CENTER, INC.
AND AFFILIATES**

Combining Statement of Changes in Net Assets

Year ended September 30, 2014

	<u>MacDonald Training Center, Inc.</u>	<u>MacDonald Training Center Properties, Inc.</u>	<u>MacDonald Training Center Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Support and revenues:					
<i>Support:</i>					
Special events revenue	\$ -	-	114,469	-	114,469
Less: special events costs	-	-	(46,014)	-	(46,014)
Net revenue from special events	-	-	68,455	-	68,455
Contributions	325,229	-	98,047	-	423,276
United Way allocation	179,750	-	-	-	179,750
	<u>504,979</u>	<u>-</u>	<u>166,502</u>	<u>-</u>	<u>671,481</u>
<i>Revenue:</i>					
Product sales	1,649,431	-	-	-	1,649,431
Cost of product sales	(500,026)	-	-	-	(500,026)
Net product sales	1,149,405	-	-	-	1,149,405
Medwaiver and private pay	2,563,739	-	-	-	2,563,739
Funding contracts	356,029	-	-	-	356,029
Rental income	-	75,607	-	-	75,607
Investment return designated for:					
Current operations	-	-	280,000	-	280,000
Employee bonuses	-	-	134,993	-	134,993
Other revenue	6,841	-	-	-	6,841
Intercompany revenue	607,570	483,684	30,000	(1,121,254)	-
	<u>4,683,584</u>	<u>559,291</u>	<u>444,993</u>	<u>(1,121,254)</u>	<u>4,566,614</u>
Total support and revenue	<u>5,188,563</u>	<u>559,291</u>	<u>611,495</u>	<u>(1,121,254)</u>	<u>5,238,095</u>
Expenses:					
Program services	4,326,728	563,603	-	(469,261)	4,421,070
Supporting services	990,111	71,467	658,742	(651,993)	1,068,327
Total expenses	<u>5,316,839</u>	<u>635,070</u>	<u>658,742</u>	<u>(1,121,254)</u>	<u>5,489,397</u>
Decrease in net assets before other changes	(128,276)	(75,779)	(47,247)	-	(251,302)
Other Changes:					
Investment return deficient to fund amounts designated for current operations and bonuses	-	-	(185,048)	-	(185,048)
Gain (loss) on disposal of property, net	(481)	106,076	-	-	105,595
Increase (decrease) in net assets	(128,757)	30,297	(232,295)	-	(330,755)
Net assets at beginning of year	<u>796,379</u>	<u>1,932,494</u>	<u>3,038,993</u>	<u>-</u>	<u>5,767,866</u>
Net assets at end of year	<u>\$ 667,622</u>	<u>1,962,791</u>	<u>2,806,698</u>	<u>-</u>	<u>5,437,111</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 Combined Financial Statements Performed in Accordance with Government Auditing Standards

The Board of Directors
MacDonald Training Center, 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 combined financial statements of MacDonald Training Center, Inc. and Affiliates (collectively a nonprofit organization), which comprise the combined statement of financial position as of September 30, 2014, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered MacDonald Training Center, Inc. and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of MacDonald Training Center, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MacDonald Training Center, Inc. and Affiliates' combined financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MAYER HOFFMAN McCANN P.C.

Clearwater, Florida
January 28, 2015