

**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, 2020 and 2019
(With Independent Auditor's Report Thereon)**

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Table of Contents

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Independent Auditor's Report on Combined Financial Statements and Supplementary Financial Information	1 - 3
Combined Financial Statements:	
Combined Statements of Financial Position	4 - 5
Combined Statements of Support and Revenue, Expenses and Other Changes in Net Assets Without Donor Restrictions	6
Combined Statements of Changes in Net Assets	7
Combined Statement of Functional Expenses	8
Combined Statements of Cash Flows	9
Notes to Combined Financial Statements	10 - 25
SUPPLEMENTARY FINANCIAL INFORMATION	
Combining Statement of Financial Position	26
Combining Statement of Changes in Net Assets	27
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's 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 <i>Government Auditing Standards</i>	28 - 29

AUDITED FINANCIAL STATEMENTS



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**Independent Auditor’s Report on Combined Financial Statements
and Supplementary Financial Information**

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of MacDonald Training Center, Inc. and Affiliates (a nonprofit organization) which comprise the combined statements of financial position as of September 30, 2020 and 2019, and the related combined statements of support and revenue, expenses and other changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, the related combined statement of functional expenses for the year ended September 30, 2020, and the related notes to the combined financial statements.

Management’s 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 audits. We conducted our audits 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 financial position of MacDonald Training Center, Inc. and Affiliates as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, and their functional expenses for the year ended September 30, 2020, in conformity with accounting principles generally accepted in the United States.

Adoption of New Accounting Standard

As discussed in Note 1 to the combined financial statements, MacDonald Training Center, Inc. and Affiliates adopted Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw your attention to Note 14, which describes the risks and uncertainties impacting MacDonald Training Center, Inc. and Affiliates as a result of the COVID-19 pandemic. The combined financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the MacDonald Training Center, Inc. and Affiliates 2019 combined financial statements, and our report dated February 24, 2020 expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein for the year ended September 30, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Supplementary Financial Information

Our audits were 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 8, 2021 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.

MAYER HOFFMAN MCCANN P.C.

February 8, 2021
Clearwater, Florida

MACDONALD TRAINING CENTER, INC. AND AFFILIATES**Combined Statements of Financial Position****September 30, 2020 and 2019**

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (Note 5)	\$ 828,019	331,787
Accounts receivable:		
Funding sources	12,008	49,799
Grants	17,060	-
Medwaiver and private pay, net of allowance for doubtful accounts of approximately \$29,500 and \$22,900 in 2020 and 2019, respectively	117,893	219,966
Commercial, net of allowance for doubtful accounts of approximately \$5,500 and \$12,100 in 2020 and 2019, respectively	173,291	311,787
Other	11,103	25,400
Current portion of contributions receivable (Note 4)	106,385	158,804
Inventories	94,855	99,140
Certificates of deposit (Notes 2, 5 and 13)	125,000	511,000
Prepaid expenses and other current assets	<u>102,549</u>	<u>81,945</u>
Total current assets	1,588,163	1,789,628
Investments (Notes 2 and 13)	3,471,217	3,360,344
Contributions receivable, less current portion (Note 4)	105,792	115,413
Property and equipment, net (Notes 3 and 8)	2,858,593	3,101,571
Other assets	<u>48,411</u>	<u>24,983</u>
	<u>\$ 8,072,176</u>	<u>8,391,939</u>

Liabilities and Net Assets	<u>2020</u>	<u>2019</u>
Current liabilities:		
Short-term notes payable (Note 6)	\$ -	100,000
Current installments of capital lease obligations (Note 8)	6,644	6,644
Accounts payable and accrued expenses	383,950	499,755
Deferred revenue	<u>9,050</u>	<u>-</u>
Total current liabilities	399,644	606,399
Deposit liability (Notes 3 and 8)	710,400	763,932
Capital lease obligations, less current installments (Note 8)	<u>16,058</u>	<u>22,702</u>
Total liabilities	1,126,102	1,393,033
Net assets:		
Without donor restrictions:		
Undesignated	788,331	681,516
Designated for long-term purposes (Note 11)	2,760,817	2,596,412
Net investment in property and equipment	<u>1,561,993</u>	<u>1,692,755</u>
	5,111,141	4,970,683
With donor restrictions (Note 10)	<u>1,834,933</u>	<u>2,028,223</u>
Total net assets	6,946,074	6,998,906
Commitments and contingencies (Notes 8, 10 and 12)	<u>-</u>	<u>-</u>
	<u>\$ 8,072,176</u>	<u>8,391,939</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

**Combined Statements of Support and Revenue, Expenses
and Other Changes in Net Assets Without Donor Restrictions**

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating support and revenue (Note 5):		
Support:		
Special events revenue	\$ 38,241	144,686
Less special event costs	<u>(21,216)</u>	<u>(52,967)</u>
Net revenue from special events	17,025	91,719
Contributions and grants	625,203	508,805
United Way allocation	<u>-</u>	<u>80,415</u>
	642,228	680,939
Revenue:		
Product sales	1,585,473	1,716,978
Cost of product sales	<u>(344,544)</u>	<u>(394,261)</u>
Net product sales	1,240,929	1,322,717
Medwaiver and private pay	2,137,823	2,656,782
Funding contracts	213,034	295,516
Rental income	3,171	23,104
Investment return designated for current operations (Note 2)	133,316	102,527
Other revenue	<u>33,166</u>	<u>9,806</u>
	3,761,439	4,410,452
Net assets released from restrictions:		
Expiration of time restrictions	64,340	40,135
Expiration of time restrictions on capital assets	105,572	132,598
Satisfaction of use restrictions	<u>30,433</u>	<u>14,067</u>
	200,345	186,800
Total operating support and revenue	4,604,012	5,278,191
Operating expenses:		
Program services	4,362,739	4,500,305
Supporting services:		
Management and general	870,257	758,865
Development	<u>100,103</u>	<u>123,264</u>
	970,360	882,129
Total operating expenses	<u>5,333,099</u>	<u>5,382,434</u>
Decrease in net assets without donor restrictions from operations	(729,087)	(104,243)
Other changes:		
Gain on property disposals (Note 8)	-	1,164,412
Contribution from forgiveness of paycheck protection program loan (Note 7)	759,100	-
Investment return in excess of amounts designated for current operations (Note 2)	<u>110,445</u>	<u>103,839</u>
Increase in net assets without donor restrictions	\$ <u>140,458</u>	\$ <u>1,164,008</u>

See accompanying independent auditor's report and notes to combined financial statements.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Operating support and revenue without donor restrictions	\$ 4,403,667	5,091,391
Operating expenses	(5,333,099)	(5,382,434)
Gain on property disposals (Note 8)	-	1,164,412
Contribution from forgiveness of paycheck protection program loan (Note 7)	759,100	-
Investment return in excess of amounts designated for current operations (Note 2)	110,445	103,839
Net assets released from restrictions	<u>200,345</u>	<u>186,800</u>
Increase in net assets without donor restrictions	140,458	1,164,008
Net assets with donor restrictions:		
Contributions and bequests	7,055	37,500
United Way support	-	36,345
Net assets released from restrictions	<u>(200,345)</u>	<u>(186,800)</u>
Decrease in net assets with donor restrictions	<u>(193,290)</u>	<u>(112,955)</u>
Increase (decrease) in net assets	(52,832)	1,051,053
Net assets, at beginning of year	<u>6,998,906</u>	<u>5,947,853</u>
Net assets, at end of year	<u>\$ 6,946,074</u>	<u>6,998,906</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combined Statement of Functional Expenses

**Year Ended September 30, 2020
(With Comparative Totals for 2019)**

	Program Services					Supporting Services			Total Expenses	
	Adult Day Training	Community Living	Community Employment	Transportation Services	Total	Management and General	Development	Total	2020	2019
Payroll and benefits	\$ 2,073,563	826,651	337,430	203,724	3,441,368	378,981	63,737	442,718	3,884,086	3,998,129
Professional fees	23,258	9,520	4,151	1,765	38,694	127,779	7,388	135,167	173,861	200,104
Contract labor	-	-	-	-	-	130,675	-	130,675	130,675	53,712
Occupancy	140,150	35,366	3,525	-	179,041	13,541	6,552	20,093	199,134	213,522
Insurance	126,722	31,978	3,187	-	161,887	12,244	5,923	18,167	180,054	172,012
Equipment	2,417	66	29	306	2,818	40,579	-	40,579	43,397	63,446
Training, travel and vehicle	9,439	3,534	6,732	36,048	55,753	8,190	-	8,190	63,943	142,747
Shipping costs	139,539	-	-	-	139,539	-	-	-	139,539	53,977
Communications	6,103	3,108	2,148	494	11,853	36,555	-	36,555	48,408	43,321
Office expense	31,847	7,129	1,269	125	40,370	17,293	1,414	18,707	59,077	68,752
Bad debt expense	-	-	-	-	-	-	4,475	4,475	4,475	-
Interest	-	-	-	-	-	5,191	-	5,191	5,191	4,455
Robert Chase scholarships	-	-	-	-	-	-	678	678	678	2,930
Other	60,000	4,541	695	501	65,737	43,238	4,992	48,230	113,967	87,595
Total expenses before depreciation	2,613,038	921,893	359,166	242,963	4,137,060	814,266	95,159	909,425	5,046,485	5,104,702
Depreciation	152,922	10,149	3,208	59,400	225,679	55,991	4,944	60,935	286,614	277,732
Total expenses	\$ 2,765,960	932,042	362,374	302,363	4,362,739	870,257	100,103	970,360	5,333,099	5,382,434

See accompanying independent auditor's report and notes to combined financial statements.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combined Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (52,832)	1,051,053
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	286,614	277,732
Gain on property disposals	-	(100,412)
Gain on sale of real estate investment	-	(1,064,000)
Realized and unrealized gains on investments	(200,712)	(159,278)
Changes in assets and liabilities:		
Decrease in accounts receivable	337,637	86,267
Decrease in inventories	4,285	1,880
Decrease (increase) in prepaid expenses and other assets	(44,032)	45,063
Increase (decrease) in accounts payable and accrued expenses	(115,805)	36,499
Increase (decrease) in deferred revenue	9,050	(18,516)
	224,205	156,288
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(43,636)	(416,315)
Proceeds from sales of property and equipment	-	18,221
Proceeds from sale of real estate investment	-	1,865,686
Purchases of certificates of deposit	(728,000)	(961,000)
Proceeds from sale of certificates of deposit	1,114,000	450,000
Purchases of investments	(862,006)	(1,742,149)
Proceeds from sale of investments	951,845	796,461
	432,203	10,904
Net cash provided by investing activities		
Cash flows from financing activities:		
Decrease in deposit liability	(53,532)	(60,660)
Net borrowings (repayments) under short-term notes payable	(100,000)	25,000
Principal payments on long-term debt	-	(294,778)
Principal payments on capital lease obligations	(6,644)	(6,969)
	(160,176)	(337,407)
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	496,232	(170,215)
Cash and cash equivalents, beginning of year	331,787	502,002
Cash and cash equivalents, end of year	\$ 828,019	331,787
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 5,191	4,455
Noncash investing and financing transactions:		
Property sale resulting in deposit liability reduction	\$ -	118,737
Property sale resulting in deferred rent revenue reduction	\$ -	60,314
Equipment acquired under a capital lease agreement	\$ -	33,221

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

September 30, 2020 and 2019

(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.

(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 inter-organization 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 combined financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a combined statement of cash flows.

The combined 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, 2019, from which the summarized information was derived.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(e) Contributions

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

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 an applicable framework, allowable costs under a government grant 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 contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when the Organization has provided certain services and incurred expenditures in compliance with specific contract or grant provisions. Cash received in excess of revenue recognized is recorded as refundable advances. There were no refundable advances at September 30, 2020 and 2019, respectively. At September 30, 2020, the Organization has been awarded grants and contracts of \$160,500, of which no amounts had been received in advance, that have not been recognized in the accompanying combined financial statements because the conditions have not been met.

(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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(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, 2020 and 2019, approximately 47% and 76%, 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 combined 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the earnings are recognized.

(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 - 30 years
Furniture and equipment	3 - 15 years
Transportation equipment	5 years

(j) Inventories

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

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(1) Description of Organization and Summary of Significant Accounting Policies - Continued

(k) Revenue Recognition

Product sales revenue is recognized when persuasive evidence of an arrangement with a buyer exists, delivery of a product has occurred or services have been rendered, the selling price to the buyer is fixed or determinable, and collection of the selling price is reasonably assured. Costs of the Organization's produces are recorded as costs of sales when the related revenue is recognized. If significant, a provision for estimated sales returns is recorded in the period in which the related sales are recognized based on historical and anticipated rates of returns. Amounts due from Medwaiver and third-party payors and clients are deemed to be earned and reported as revenue when the services are provided.

(l) 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.

ASC Topic 740, *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 2016 are open for examination. The Organization does not believe it has any unrecognized exposure relating to uncertain tax positions at September 30, 2020.

(m) Fair Value Measurements

The Organization has adopted the provisions of ASC Topic 820, *Fair Value Measurement*. ASC Topic 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 for 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.

(n) 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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

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

(o) **Functional Allocation of Expenses**

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the Combined Statements of Support and Revenue, Expenses and Other Changes in Net Assets Without Donor Restrictions. The Combined Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs have been allocated to functional classifications based on the reporting of time spent on each by the employees. Depreciation of property and related operation and maintenance expenses have been allocated to functional classifications based on square footage of facilities.

(p) **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 combined financial statements are available to be issued.

(q) **Recent Accounting Pronouncement**

In fiscal year 2020, the Organization adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction subject to other guidance. It also provides guidance as to when a contribution should be considered conditional, which for example, is typically the case when funds are received under governmental grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred where applicable.

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2020. The adoption of this guidance did not have an impact on the Organization's combined financial statements.

In addition, certain changes from adopting this new standard resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(2) Investments

At September 30, 2020 and 2019, the cost and market value of investments were as follows:

	2020		2019	
	Cost	Market	Cost	Market
Short-term investments:				
Certificates of deposit	\$ 125,003	125,000	511,011	511,000
	125,003	125,000	511,011	511,000
Long-term investments:				
Money market fund	231,572	231,572	49,928	49,928
Certificates of deposit	100,031	100,000	199,956	200,000
Common stocks	754,389	937,048	675,754	841,460
Mutual funds and exchange traded funds	1,734,904	2,157,705	1,908,047	2,227,063
Community Foundation	29,000	44,892	28,000	41,893
	2,849,896	3,471,217	2,861,685	3,360,344
	\$ 2,974,899	3,596,217	3,372,696	3,871,344

At September 30, 2020 and 2019, 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.

Investment return is allocated between amounts designated for current operations and amounts in excess of amounts designated for current operations (non-operating) in the accompanying combined statements of changes in net assets. The amount designated for current operations is the amount approved for withdrawal from the board-designated endowment during the year to be used for operations. The Organization's board-designated endowment is more fully described in Note 11.

The following schedule summarizes investment return for the years ended September 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 73,027	75,271
Net realized and unrealized gains	200,712	159,278
Investment management fees	(29,978)	(28,183)
Total investment return	243,761	206,366
Investment return designated for current operations	133,316	102,527
Investment return in excess of amounts designated for current operations	\$ 110,445	103,839

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(3) Property and Equipment

Property and equipment at September 30, 2020 and 2019 consist of the following:

	2020	2019
Land and improvements	\$ 1,638,992	1,638,992
Buildings and improvements	4,531,490	4,471,723
Furniture and equipment	461,163	461,163
Computers and software	333,467	333,465
Construction in progress	6,660	56,267
Transportation equipment	578,647	545,173
	7,550,419	7,506,783
Less accumulated depreciation and amortization	4,691,826	4,405,212
	\$ 2,858,593	3,101,571

Depreciation expense for the years ended September 30, 2020 and 2019 was \$286,614 and \$277,732, 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 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, 2020 and 2019. In August 2019, one of the facilities was sold which reduced the net book value of property and equipment by \$27,135 and also reduced the related deposit liability by \$118,737. 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, 2020 and 2019, the net book value of the property subject to these liens was \$1,202,833 and \$1,272,835, respectively.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(4) Contributions Receivable

Contributions receivable as of September 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
United Way allocations	\$ -	36,345
Shattering Barriers pledges	-	6,774
Florida Department of Transportation	78,985	78,985
Wells Fargo grant	-	10,000
Foundation contribution	137,000	159,500
Less allowance for uncollectible pledges	-	(2,300)
Less unamortized discount	(3,808)	(15,087)
	<u>\$ 212,177</u>	<u>274,217</u>
Amounts due in:		
Less than one year	\$ 106,385	161,104
One to five years	68,500	72,500
More than five years	41,100	58,000
	<u>\$ 215,985</u>	<u>291,604</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 0.63% to 2.03%, respectively.

(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 49% and 53% of total operating support and revenue for the years ended September 30, 2020 and 2019, respectively.

The Organization maintains certain operating accounts with a commercial bank. The balances in these accounts may exceed the federal deposit insurance limit at times throughout the year. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk of loss. There were approximately \$20,000 of uninsured cash and cash equivalent balances at September 30, 2020.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(6) Short-Term Notes Payable

The Organization has obtained two 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, 2020) or a minimum interest rate of 4%. At September 30, 2020 and 2019, the outstanding balance on the lines of credit was \$0 and \$100,000, respectively.

(7) Paycheck Protection Program Loan

The Organization applied for and received a forgivable Paycheck Protection Loan of \$759,100 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 23, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through October 7, 2020 and that certain employment levels are maintained. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due and payable in monthly installments beginning November 2020 and carries an interest rate of 1.00%. Through September 30, 2020, the Organization has used all of the proceeds on qualified costs and such amount has been reported as a contribution from forgiveness of paycheck protection program loan in other changes with an offsetting reduction to the federal loan payable on the combined statement of financial position. Subsequent to year-end a formal request for forgiveness was submitted after the performance period outlined above which was approved December 21, 2020.

(8) Leases

At September 30, 2020, the Organization was obligated under capital leases for certain office equipment that expire at various dates through fiscal 2024. At September 30, 2020, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$33,221 and \$10,520, respectively. At September 30, 2019, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$33,221 and \$3,876 respectively. Amortization of the assets held under capital leases is included in depreciation expense.

The Organization also leases a portion of six residential facilities under a sale-leaseback agreement which is considered to be a noncancellable operating lease. The operating lease has a one year lease term with a 120 day non-renewal notice. Rent paid under the lease for fiscal years 2020 and 2019 was \$53,532, and \$59,494, respectively, and was recorded as a reduction of the related deposit liability. At September 30, 2020 and 2019, the gross amount of assets held under the sale-leaseback agreement was \$842,383 and the related accumulated depreciation was \$580,799 and \$562,689, respectively.

In August 2019, as a result of one of the facilities being sold, the Organization removed property with a net book value of \$27,135 from its books and reduced the related sale-leaseback deposit liability by \$118,737. This transaction resulted in a gain of \$91,602 which is reflected in the accompanying combined financial statements for the year ended September 30, 2019.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(8) Leases - Continued

Future minimum lease payments under the noncancellable operating lease and the present value of future minimum capital lease payments as of September 30, 2020 are as follows:

<u>Year Ending September 30,</u>	<u>Capital Leases</u>	<u>Operating Lease</u>	<u>Total</u>
2021	\$ 6,645	45,530	52,175
2022	6,645	-	6,645
2023	6,645	-	6,645
2024	2,767	-	2,767
Total minimum lease payments	22,702	<u>45,530</u>	<u>68,232</u>
Current installments of capital lease obligations	<u>6,644</u>		
Capital lease obligations, less current installments	<u>\$ 16,058</u>		

(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 fiscal 2010, the Organization suspended its discretionary matching contribution to the plan. Effective fiscal 2018, the plan was modified to allow for automatic enrollment with contributions in the amount of 3% of a participant's gross wages. Employees may opt out of the automatic enrollment at any time. No expense was incurred relating to the retirement plan for either of the years ended September 30, 2020 and 2019.

(10) Net Assets With Donor Restrictions

Donor restrictions on net assets as of September 30, 2020 and 2019 relate to the following:

	<u>2020</u>	<u>2019</u>
Outstanding pledges	\$ -	6,774
Contribution restricted for staff recruitment and retention and client social opportunities	341,802	341,802
Contributions restricted for transportation vouchers	-	15,000
Contributions restricted for Brady's Biscuit Program	-	12,500
Contribution restricted for training hospital room	3,150	2,933
United Way allocation	-	36,345
Contribution restricted for Sabal Park	1,000	-
Contribution restricted for community living support	2,906	-
Lien on contributed vehicles	71,065	106,635
Lien on operating facility	1,202,833	1,272,835
Grants restricted for acquisition of vehicles	78,985	78,985
Contributions restricted for future periods	<u>133,192</u>	<u>154,414</u>
	<u>\$ 1,834,933</u>	<u>2,028,223</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(10) Net Assets With Donor Restrictions - Continued

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 net assets with donor restrictions equal to 90% of the remaining net book value of the property totaling \$1,202,833 and \$1,272,835 as of September 30, 2020 and 2019, respectively. For each of the years ended September 30, 2020 and 2019, the Organization recorded a release of restriction equal to depreciation expense on the property totaling \$70,002 and \$80,790, respectively.

(11) Board-Designated Endowment

The Board of Directors of MacDonald Training Center Foundation, Inc. has designated a portion of net assets without donor restrictions 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 net assets without donor restrictions.

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. 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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(11) Board-Designated Endowment - Continued

Changes in endowment fund net assets for the years ended September 30, 2020 and 2019 were as follows:

Balance at September 30, 2018	\$	2,174,049
Investment income		46,696
Realized and unrealized gains		159,278
Reclassifications		179,397
Contributions		139,519
Withdrawals		<u>(102,527)</u>
Balance at September 30, 2019		2,596,412
Investment income		42,477
Realized and unrealized gains		200,712
Reclassifications		53,532
Contributions		1,000
Withdrawals		<u>(133,316)</u>
Balance at September 30, 2020	\$	<u><u>2,760,817</u></u>

(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.

The Organization is involved in various claims and legal actions arising in the ordinary course of operations. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the combined financial position of the Organization.

(13) 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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(13) Fair Value Measurements - Continued

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, government bonds, certificates of deposit and Community Foundation investments.

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.

Fair value of assets measured on a recurring basis at September 30, 2020 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 231,572	-	231,572	-
Certificates of deposit	225,000	-	225,000	-
Common stocks:				
US Large Growth	100,566	100,566	-	-
US Large Cap Blend	189,164	189,164	-	-
US Large Value	327,022	327,022	-	-
US Mid Cap Growth	18,384	18,384	-	-
US Mid Cap Value Equity	34,040	34,040	-	-
US Small Cap Value	12,527	12,527	-	-
International	117,442	117,442	-	-
Other	137,903	137,903	-	-
Mutual funds and ETF's - equities:				
US Large Growth	124,580	124,580	-	-
US Large Cap Blend	1,065,758	1,065,758	-	-
US Large Value	-	-	-	-
US Mid Cap Growth	7,206	7,206	-	-
US Mid Cap Blend	35,209	35,209	-	-
US Mid Cap Value Equity	17,233	17,233	-	-
US Small Cap Blend	102,044	102,044	-	-
US Small Cap Value	72,232	72,232	-	-
High yield bond	187,780	187,780	-	-
Ultrashort bond	169,302	169,302	-	-
International	208,084	208,084	-	-
Emerging Markets	168,277	168,277	-	-
Community Foundation investment	44,892	-	44,892	-
	<u>3,596,217</u>	<u>3,094,753</u>	<u>501,464</u>	<u>-</u>
Total investments	\$ 3,596,217	3,094,753	501,464	-

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(13) Fair Value Measurements - Continued

Fair value of assets measured on a recurring basis at September 30, 2019 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 49,928	-	49,928	-
Certificates of deposit	711,000	-	711,000	-
Common stocks:				
US Large Growth	234,050	234,050	-	-
US Large Cap Blend	123,855	123,855	-	-
US Large Value	239,684	239,684	-	-
US Mid Cap Growth	55,606	55,606	-	-
US Mid Cap Value Equity	23,374	23,374	-	-
US Small Cap Value	19,611	19,611	-	-
US Small Cap Growth	33,066	33,066	-	-
International	75,321	75,321	-	-
Other	36,893	36,893	-	-
Mutual funds and ETF's - equities:				
US Large Growth	65,170	65,170	-	-
US Large Cap Blend	929,327	929,327	-	-
US Large Value	86,220	86,220	-	-
US Mid Cap Growth	14,811	14,811	-	-
US Mid Cap Blend	36,714	36,714	-	-
US Mid Cap Value Equity	19,210	19,210	-	-
US Small Cap Growth	95,264	95,264	-	-
US Small Cap Blend	35,823	35,823	-	-
US Small Cap Value	404,453	404,453	-	-
High yield bond	176,487	176,487	-	-
International	363,584	363,584	-	-
Community Foundation investment	41,893	-	41,893	-
	<u>41,893</u>	<u>-</u>	<u>41,893</u>	<u>-</u>
Total investments	\$ 3,871,344	3,068,523	802,821	-
	<u>\$ 3,871,344</u>	<u>3,068,523</u>	<u>802,821</u>	<u>-</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(14) Risks and Uncertainties

The novel coronavirus (“COVID-19”) spread rapidly across the world in the first quarter of 2020 and was declared a pandemic by the World Health Organization in March 2020. The government and private sector responses to contain its spread began to adversely affect the broader economy and business in general in March 2020 and those impacts will likely affect the Organization’s operations through the remainder of calendar year 2020, although such effects may vary significantly. Beginning in March 2020, the Organization discontinued the provision of certain services, limited other program activities and reduced operating expenses in an effort to conserve resources. The duration and extent of the pandemic and its effects over longer terms cannot be reasonably estimated as of the date the combined financial statements were available for issuance. The risks and uncertainties resulting from the pandemic that may affect the results of operating activities, cash flows and financial condition include the nature and duration of any potential curtailment of various Organization activities and the long-term effect on sources of contributions, government contracts and other support and revenue. Accordingly, significant estimates used in the preparation of the combined financial statements including those associated with evaluations of certain long-lived assets for impairment and expected credit losses on amounts owed to the Organization may be subject to significant adjustments in future periods.

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Organization’s investment portfolio has incurred significant volatility in fair value since March 2020. Because the values of the Organization’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in future periods, if any, and the related impact on the Organization’s liquidity cannot be determined at this time.

(15) Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(15) Liquidity and Availability of Resources - Continued

The following represents the Organization's financial assets as of September 30, 2020 and 2019, reduced by amounts not available for general use because of contractual, donor imposed, or board reserve designations within one year of the combined statement of financial position date. Those amounts not available include amounts set aside for longer-term investing in the endowment.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 828,019	331,787
Accounts receivable, net	331,355	606,952
Contributions receivable, net	212,177	274,217
Certificates of deposit	125,000	511,000
Investments	<u>3,471,217</u>	<u>3,360,344</u>
Total financial assets	4,967,768	5,084,300
Less amounts unavailable for general expenditure within one year due to:		
Board-designated endowment	(2,760,817)	(2,596,412)
Donor-imposed restrictions:		
Contributions restricted for future periods	(105,792)	(115,413)
Restricted for specific programs by donors	<u>(427,843)</u>	<u>(461,220)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,673,316</u>	<u>1,911,255</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The Organization's board has designated a portion of its unrestricted resources for endowment purposes (see Note 11). Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

The Organization also has lines of credit available to meet short-term liquidity needs (see Note 6).

(16) Subsequent Events

The Organization has evaluated subsequent events through February 8, 2021, the date the combined financial statements were available for issuance.

On November 6, 2020, MacDonald Training Center Properties, Inc. sold its James Ranch property in Plant City, Florida for a selling price of \$529,000. The transaction resulted in net cash received by the Organization of approximately \$480,000 and a gain on disposal of approximately \$324,000.

In December 2020, one of the leased residential facilities (as described in Note 8) was sold reducing the net book value of the property and the related deposit liability.

SUPPLEMENTARY FINANCIAL INFORMATION

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combining Statement of Financial Position

September 30, 2020

Assets	MacDonald Training Center, Inc.	MacDonald Training Center Properties, Inc.	MacDonald Training Center Foundation, Inc.	Eliminations	Combined Totals
Current assets:					
Cash and cash equivalents	\$ 766,981	2,311	58,727	-	828,019
Accounts receivable:					
Funding sources	12,008	-	-	-	12,008
Grants	17,060	-	-	-	17,060
Medwaiver and private insurance, net	117,893	-	-	-	117,893
Commercial, net	173,291	-	-	-	173,291
Other	9,163	625	1,315	-	11,103
Intercompany, net	343,926	-	-	(343,926)	-
Current portion of contributions receivable	106,385	-	-	-	106,385
Inventories	94,855	-	-	-	94,855
Certificates of deposit	125,000	-	-	-	125,000
Prepaid expenses and other current assets	81,017	16,382	5,150	-	102,549
Total current assets	1,847,579	19,318	65,192	(343,926)	1,588,163
Investments	-	-	3,471,217	-	3,471,217
Contributions receivable, less current portion	105,792	-	-	-	105,792
Property and equipment, net	260,016	2,593,623	4,954	-	2,858,593
Other assets	23,428	11,097	13,886	-	48,411
	<u>\$ 2,236,815</u>	<u>2,624,038</u>	<u>3,555,249</u>	<u>(343,926)</u>	<u>8,072,176</u>
Liabilities and Net Assets					
Current liabilities:					
Current installments of capital lease obligations	\$ 6,644	-	-	-	6,644
Accounts payable and accrued expenses	369,877	12,073	2,000	-	383,950
Intercompany, net	-	168,735	175,191	(343,926)	-
Deferred revenue	9,050	-	-	-	9,050
Total current liabilities	385,571	180,808	177,191	(343,926)	399,644
Deposit liability	-	710,400	-	-	710,400
Capital lease obligations, less current installments	16,058	-	-	-	16,058
Total liabilities	401,629	891,208	177,191	(343,926)	1,126,102
Net assets	1,835,186	1,732,830	3,378,058	-	6,946,074
	<u>\$ 2,236,815</u>	<u>2,624,038</u>	<u>3,555,249</u>	<u>(343,926)</u>	<u>8,072,176</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combining Statement of Changes in Net Assets

Year Ended September 30, 2020

	<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 revenue:					
Support:					
Special events revenue	\$ -	-	38,241	-	38,241
Less special events costs	-	-	(21,216)	-	(21,216)
Net revenue from special events	-	-	17,025	-	17,025
Contributions and grants	566,692	-	65,566	-	632,258
United Way allocation	-	-	-	-	-
	566,692	-	82,591	-	649,283
Revenue:					
Product sales	1,585,473	-	-	-	1,585,473
Cost of product sales	(344,544)	-	-	-	(344,544)
Net product sales	1,240,929	-	-	-	1,240,929
Medwaiver and private pay	2,137,823	-	-	-	2,137,823
Funding contracts	213,034	-	-	-	213,034
Rental income	-	3,171	-	-	3,171
Investment return designated for current operations	-	-	133,316	-	133,316
Other revenue	7,066	26,100	-	-	33,166
Intercompany revenue	341,332	333,923	-	(675,255)	-
	3,940,184	363,194	133,316	(675,255)	3,761,439
Total support and revenue	4,506,876	363,194	215,907	(675,255)	4,410,722
Expenses:					
Program services	4,273,510	424,064	-	(334,835)	4,362,739
Supporting services	953,927	55,152	301,701	(340,420)	970,360
Total expenses	5,227,437	479,216	301,701	(675,255)	5,333,099
Decrease in net assets before other changes	(720,561)	(116,022)	(85,794)	-	(922,377)
Other changes:					
Investment return in excess of amount designated for current operations	-	-	110,445	-	110,445
Contribution from forgiveness of paycheck protection program loan	759,100	-	-	-	759,100
Increase (decrease) in net assets	38,539	(116,022)	24,651	-	(52,832)
Net assets, at beginning of year	1,796,647	1,848,852	3,353,407	-	6,998,906
Net assets, at end of year	\$ 1,835,186	1,732,830	3,378,058	-	6,946,074

See accompanying independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE



Independent Auditor’s 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, 2020, and the related combined statements of support and revenue, expenses and other changes in net assets without donor restrictions, 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 February 8, 2021.

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) as a basis for designing 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 combined 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 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.

February 8, 2021
Clearwater, Florida