

**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, 2022 and 2021  
(With Independent Auditors' Report Thereon)**

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

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## **AUDITED FINANCIAL STATEMENTS**



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

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

**Opinion**

We have audited the accompanying combined financial statements of MacDonald Training Center, Inc. and Affiliates (collectively, the "Organization") which comprise the combined statements of financial position as of September 30, 2022 and 2021, 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, 2022, and the related notes to the combined financial statements.

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, 2022 and 2021, 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, 2022, in conformity with accounting principles generally accepted in the United States.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Combined Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the MacDonald Training Center, Inc. and Affiliates' 2021 combined financial statements, and our report dated March 9, 2022 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, 2021, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

## Supplementary Information

Our audits were conducted 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 our report dated May 26, 2023 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.

May 26, 2023  
St. Petersburg, Florida

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Combined Statements of Financial Position

September 30, 2022 and 2021

|   | 2022         | 2021      |
|---|--------------|-----------|
| Assets  |              |           |
| Current assets:   |              |           |
| Cash and cash equivalents (Note 5)  | \$ 1,305,913 | 1,149,536 |
| Accounts receivable:  |              |           |
| Funding sources   | 87,351       | 66,717    |
| Grants  | 97,250       | 76,388    |
| Medwaiver and private pay, net of allowance for doubtful accounts of approximately \$74,000 and \$30,000 in 2022 and 2021, respectively | 752,708      | 285,997   |
| Commercial, net of allowance for doubtful accounts of approximately \$3,900 in 2022 and 2021, respectively                              | 450,819      | 218,613   |
| Other   | 9,377        | 179,403   |
| Current portion of contributions receivable (Note 4)  | 105,784      | 106,384   |
| Inventories   | 110,772      | 172,397   |
| Prepaid expenses and other current assets   | 61,412       | 82,302    |
| Total current assets  | 2,981,386    | 2,337,737 |
| Investments (Notes 2 and 13)  | 3,046,684    | 3,984,915 |
| Contributions receivable, less current portion (Note 4)   | 70,214       | 89,630    |
| Accounts receivable - funding sources, non-current  | 70,000       | -         |
| Property and equipment, net (Notes 3 and 8)   | 2,559,624    | 2,517,963 |
| Other assets  | 41,167       | 41,961    |
|   | \$ 8,769,075 | 8,972,206 |

|   | <u>2022</u>         | <u>2021</u>      |
|---|---------------------|------------------|
| <b>Liabilities and Net Assets</b>                             |                     |                  |
| Current liabilities:  |                     |                  |
| Current installments of capital lease obligations (Note 8)    | \$ 6,286            | 6,121            |
| Accounts payable and accrued expenses                         | 593,445             | 449,453          |
| Refundable advances   | <u>748,234</u>      | <u>-</u>         |
| Total current liabilities                                     | 1,347,965           | 455,574          |
| Deposit liability (Notes 3 and 8)                             | 359,016             | 393,168          |
| Capital lease obligations, less current installments (Note 8) | <u>4,051</u>        | <u>9,413</u>     |
| Total liabilities   | 1,711,032           | 858,155          |
| Net assets:   |                     |                  |
| Without donor restrictions:                                   |                     |                  |
| Undesignated  | 842,061             | 1,468,641        |
| Designated for long-term purposes (Note 11)                   | 2,687,668           | 3,591,747        |
| Net investment in property and equipment                      | <u>1,333,865</u>    | <u>1,261,359</u> |
|   | 4,863,594           | 6,321,747        |
| With donor restrictions (Note 10)                             | <u>2,194,449</u>    | <u>1,792,304</u> |
| Total net assets  | 7,058,043           | 8,114,051        |
| Commitments and contingencies (Notes 8 and 12)                | <u>-</u>            | <u>-</u>         |
|   | <u>\$ 8,769,075</u> | <u>8,972,206</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, 2022 and 2021

|   | <u>2022</u>           | <u>2021</u>      |
|---|-----------------------|------------------|
| Operating support and revenue (Note 5):   |                       |                  |
| Support:  |                       |                  |
| Special events revenue  | \$ 42,085             | 42,803           |
| Less special event costs  | <u>(25,158)</u>       | <u>-</u>         |
| Net revenue from special events   | 16,927                | 42,803           |
| Contributions and grants  | <u>604,186</u>        | <u>761,311</u>   |
|   | 621,113               | 804,114          |
| Revenue:  |                       |                  |
| Product sales   | 2,305,171             | 1,608,307        |
| Cost of product sales   | <u>(425,109)</u>      | <u>(368,133)</u> |
| Net product sales   | 1,880,062             | 1,240,174        |
| Medwaiver and private pay   | 1,617,894             | 1,413,969        |
| Funding contracts   | 304,495               | 260,626          |
| Rental income   | 4,700                 | 3,603            |
| Investment return designated for current operations (Note 2)  | 326,195               | 265,528          |
| Other revenue   | <u>374,695</u>        | <u>172,364</u>   |
|   | 4,508,041             | 3,356,264        |
| Net assets released from restrictions:  |                       |                  |
| Expiration of time restrictions   | 45,016                | 16,163           |
| Expiration of time restrictions on capital assets   | 25,648                | 32,828           |
| Satisfaction of use restrictions  | <u>25,161</u>         | <u>8,438</u>     |
|   | <u>95,825</u>         | <u>57,429</u>    |
| Total operating support and revenue   | 5,224,979             | 4,217,807        |
| Operating expenses:   |                       |                  |
| Program services  | 4,670,574             | 3,759,342        |
| Supporting services:  |                       |                  |
| Management and general  | 819,416               | 814,763          |
| Development   | <u>253,910</u>        | <u>197,115</u>   |
|   | <u>1,073,326</u>      | <u>1,011,878</u> |
| Total operating expenses  | <u>5,743,900</u>      | <u>4,771,220</u> |
| Decrease in net assets without donor restrictions from operations                                     | (518,921)             | (553,413)        |
| Other changes:  |                       |                  |
| Gain on property disposals (Note 8)   | -                     | 497,332          |
| Contribution from forgiveness of Paycheck Protection Program loan (Note 7)                            | -                     | 753,502          |
| Investment return in excess of (deficient to fund) amounts designated for current operations (Note 2) | <u>(939,232)</u>      | <u>513,185</u>   |
| Increase (decrease) in net assets without donor restrictions  | <u>\$ (1,458,153)</u> | <u>1,210,606</u> |

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

**MACDONALD TRAINING CENTER, INC. AND AFFILIATES****Combined Statements of Changes in Net Assets****Years Ended September 30, 2022 and 2021**

|  | <u>2022</u>                | <u>2021</u>             |
|--|----------------------------|-------------------------|
| Net assets without donor restrictions:   |                            |                         |
| Operating support and revenue  | \$ 5,129,154               | 4,160,378               |
| Operating expenses   | (5,743,900)                | (4,771,220)             |
| Gain on property disposals (Note 8)  | -                          | 497,332                 |
| Contribution from forgiveness of Paycheck<br>Protection Program loan (Note 7)                            | -                          | 753,502                 |
| Investment return in excess of (deficient to fund) amounts designated<br>for current operations (Note 2) | (939,232)                  | 513,185                 |
| Net assets released from restrictions  | <u>95,825</u>              | <u>57,429</u>           |
| Increase (decrease) in net assets without donor restrictions   | (1,458,153)                | 1,210,606               |
| Net assets with donor restrictions:  |                            |                         |
| Contributions and bequests   | 201,400                    | 14,800                  |
| Facilities grant   | 176,570                    | -                       |
| United Way support   | 120,000                    | -                       |
| Net assets released from restrictions  | <u>(95,825)</u>            | <u>(57,429)</u>         |
| Increase (decrease) in net assets with donor restrictions  | <u>402,145</u>             | <u>(42,629)</u>         |
| Increase (decrease) in net assets  | (1,056,008)                | 1,167,977               |
| Net assets, at beginning of year   | <u>8,114,051</u>           | <u>6,946,074</u>        |
| Net assets, at end of year   | <u><u>\$ 7,058,043</u></u> | <u><u>8,114,051</u></u> |

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

**Combined Statement of Functional Expenses**

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

|                                    | Program Services |           |            |                     |                        |           | Supporting Services       |             |           | Total Expenses |           |
|------------------------------------|------------------|-----------|------------|---------------------|------------------------|-----------|---------------------------|-------------|-----------|----------------|-----------|
|                                    | Day<br>Services  | Education | Employment | Community<br>Living | Business<br>Enterprise | Total     | Management<br>and General | Development | Total     | 2022           | 2021      |
| Salaries and wages                 | \$ 805,887       | 319,703   | 325,307    | 668,054             | 358,115                | 2,477,066 | 610,851                   | 215,297     | 826,148   | 3,303,214      | 2,932,299 |
| Benefits and payroll taxes         | 142,502          | 55,103    | 58,784     | 119,866             | 48,984                 | 425,239   | 149,384                   | 22,229      | 171,613   | 596,852        | 573,336   |
| Program expense                    | 18,499           | 25,607    | 27,387     | 34,255              | -                      | 105,748   | -                         | -           | -         | 105,748        | 98,737    |
| Fleet expenses                     | 147,822          | 969       | -          | -                   | -                      | 148,791   | -                         | -           | -         | 148,791        | 119,003   |
| Cypress occupancy                  | 78,295           | 31,658    | 4,313      | 4,026               | 68,564                 | 186,856   | 14,785                    | 3,962       | 18,747    | 205,603        | 177,365   |
| Sabal occupancy                    | 163,859          | -         | -          | -                   | -                      | 163,859   | -                         | -           | -         | 163,859        | 188,888   |
| Business enterprise                | -                | 1,509     | -          | -                   | 719,195                | 720,704   | -                         | -           | -         | 720,704        | 169,126   |
| Professional services              | 29,490           | 9,423     | 9,542      | 23,113              | 20,784                 | 92,352    | 9,905                     | 2,038       | 11,943    | 104,295        | 77,648    |
| Technology expenses                | 29,722           | 9,336     | 11,087     | 23,680              | 21,268                 | 95,093    | 11,942                    | 2,886       | 14,828    | 109,921        | 116,484   |
| Other                              | 33,947           | 13,406    | 6,032      | 12,317              | 45,699                 | 111,401   | 11,197                    | 4,456       | 15,653    | 127,054        | 134,584   |
| Total expenses before depreciation | 1,450,023        | 466,714   | 442,452    | 885,311             | 1,282,609              | 4,527,109 | 808,064                   | 250,868     | 1,058,932 | 5,586,041      | 4,587,470 |
| Depreciation                       | 60,114           | 24,307    | 3,312      | 3,091               | 52,641                 | 143,465   | 11,352                    | 3,042       | 14,394    | 157,859        | 183,750   |
| Total expenses                     | \$ 1,510,137     | 491,021   | 445,764    | 888,402             | 1,335,250              | 4,670,574 | 819,416                   | 253,910     | 1,073,326 | 5,743,900      | 4,771,220 |

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

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Combined Statements of Cash Flows

Years Ended September 30, 2022 and 2021

|  | <u>2022</u>                | <u>2021</u>             |
|--|----------------------------|-------------------------|
| Cash flows from operating activities:  |                            |                         |
| Increase (decrease) in net assets  | \$ (1,056,008)             | 1,167,977               |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: |                            |                         |
| Depreciation   | 157,859                    | 183,750                 |
| Gain on property disposals   | -                          | (497,332)               |
| Realized and unrealized losses (gains) on investments  | 682,882                    | (749,619)               |
| Changes in assets and liabilities:   |                            |                         |
| Increase in accounts receivable  | (620,371)                  | (479,600)               |
| Decrease (increase) in inventories   | 61,625                     | (77,542)                |
| Decrease in prepaid expenses and other assets  | 21,684                     | 26,697                  |
| Increase in accounts payable and accrued expenses  | 143,992                    | 65,503                  |
| Increase (decrease) in refundable advances   | <u>748,234</u>             | <u>(9,050)</u>          |
| Net cash provided by (used in) operating activities  | 139,897                    | (369,216)               |
| Cash flows from investing activities:  |                            |                         |
| Purchases of property and equipment  | (196,966)                  | (99,389)                |
| Proceeds from sales of property and equipment  | -                          | 479,647                 |
| Proceeds from sale of certificates of deposit  | -                          | 125,000                 |
| Purchases of investments   | (470,517)                  | (812,838)               |
| Proceeds from sale of investments  | <u>725,866</u>             | <u>1,048,759</u>        |
| Net cash provided by investing activities  | 58,383                     | 741,179                 |
| Cash flows from financing activities:  |                            |                         |
| Decrease in deposit liability  | (34,152)                   | (43,278)                |
| Principal payments on capital lease obligations  | <u>(7,751)</u>             | <u>(7,168)</u>          |
| Net cash used in financing activities  | <u>(41,903)</u>            | <u>(50,446)</u>         |
| Net increase in cash and cash equivalents  | 156,377                    | 321,517                 |
| Cash and cash equivalents, beginning of year   | <u>1,149,536</u>           | <u>828,019</u>          |
| Cash and cash equivalents, end of year   | <u><u>\$ 1,305,913</u></u> | <u><u>1,149,536</u></u> |
| Noncash investing and financing transactions:  |                            |                         |
| Deposit liability reduction resulting from sale of property under sale-leaseback arrangement                       | <u>\$ -</u>                | <u>273,954</u>          |
| Equipment acquired under a capital lease agreement   | <u>\$ 2,554</u>            | <u>-</u>                |

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements

September 30, 2022 and 2021

### (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, 2021, 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 support and revenue, expenses and other changes in net assets without donor restrictions 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. Refundable advances at September 30, 2022 and 2021 were \$748,234 and \$0, respectively. At September 30, 2022, the Organization has been awarded grants and contracts of \$32,189, 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.

##### (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.

# 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 - Continued**

At September 30, 2022 and 2021, approximately 28% and 80%, respectively, of net commercial receivables are due from Respect of Florida. The balance due from another customer represented 50% of net commercial receivables at September 30, 2022.

#### (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**

The Organization generates revenue from product packaging and fulfillment services provided on behalf of customers. The Organization's performance obligations consist of the promise to package and fulfill orders on behalf of customers. Services are provided for cash or on credit terms. Revenue is recognized at the amount of the transaction price when the performance obligation is satisfied. The performance obligation is satisfied upon the packaging of the product or upon shipment of the product when ownership, risks and rewards transfer as defined in the contract. Contract assets from contracts with customers consist of accounts receivable included in current assets in the accompanying combined statement of financial position, and primarily stem from revenue being recognized when a product is packaged or shipped with respect to customer payments that have not been made at the combined statement of financial position date.

The Organization provides adults with developmental disabilities certain program services which are paid for by clients or certain third-party payers (including health insurers and government reimbursement programs). These program services include institutional care such as day services, community living and employment services. The Organization's performance obligations consist of the time spent providing the services to clients. Revenue is reported in the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing these program services. Fees for program services are recognized over time as the services are provided based on standard charges, net of any contractual adjustment under insurance contracts. Program services are billed monthly and amounts collected in advance are recorded as contract liabilities.

##### (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 2018 are open for examination. The Organization does not believe it has any unrecognized exposure relating to uncertain tax positions at September 30, 2022.



## MACDONALD TRAINING CENTER, INC. AND AFFILIATES

### Notes to Combined Financial Statements – Continued

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

##### (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.

##### (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 Statement of Functional Expenses presents 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.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

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

#### (q) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of support and revenue, expenses and other changes in net assets without donor restrictions. In June 2020, the FASB issued ASU No. 2020-05, which deferred the effective date for all entities that had not yet adopted Topic 842 to annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the combined financial statements, with certain practical expedients available. The Organization is currently evaluating the full effect that the adoption of this standard will have on the combined financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind. The ASU requires enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The Organization adopted this ASU on October 1, 2021. The adoption of this standard had no impact on the Organization's combined financial statements.

### (2) Investments

At September 30, 2022 and 2021, the cost and market value of investments were as follows:

|                           | <u>2022</u>         |                  | <u>2021</u>      |                  |
|---------------------------|---------------------|------------------|------------------|------------------|
|                           | <u>Cost</u>         | <u>Market</u>    | <u>Cost</u>      | <u>Market</u>    |
| Long-term investments:    |                     |                  |                  |                  |
| Money market fund         | \$ 70,883           | 70,883           | 92,104           | 92,104           |
| Common stocks             | 792,339             | 893,040          | 823,428          | 1,193,598        |
| Mutual funds and exchange |                     |                  |                  |                  |
| traded funds              | 1,861,715           | 2,032,851        | 1,957,747        | 2,641,822        |
| Community Foundation      | 31,000              | 49,910           | 30,000           | 57,391           |
|                           | <u>\$ 2,755,937</u> | <u>3,046,684</u> | <u>2,903,279</u> | <u>3,984,915</u> |

At September 30, 2022 and 2021, 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.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

### (2) Investments - Continued

Investment return is allocated between amounts designated for current operations and amounts in excess of (deficient to fund) amounts designated for current operations (non-operating) in the accompanying combined statements of support and revenue, expenses and other changes in net assets without donor restrictions. 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, 2022 and 2021:

|   | <u>2022</u>                | <u>2021</u>           |
|---|----------------------------|-----------------------|
| Interest and dividends  | \$ 103,088                 | 62,837                |
| Net realized and unrealized gains (losses)  | (682,882)                  | 749,619               |
| Investment management fees  | <u>(33,243)</u>            | <u>(33,743)</u>       |
| Total investment return   | (613,037)                  | 778,713               |
| Investment return designated for current operations   | <u>326,195</u>             | <u>265,528</u>        |
| Investment return in excess of (deficient to fund)<br>amounts designated for current operations | \$ <u><u>(939,232)</u></u> | <u><u>513,185</u></u> |

### (3) Property and Equipment

Property and equipment at September 30, 2022 and 2021 consist of the following:

|  | <u>2022</u>                | <u>2021</u>             |
|--|----------------------------|-------------------------|
| Land and improvements                          | \$ 1,397,463               | 1,459,245               |
| Buildings and improvements                     | 3,932,553                  | 3,865,921               |
| Furniture and equipment                        | 456,127                    | 398,050                 |
| Computers and software                         | 335,194                    | 335,194                 |
| Construction in progress                       | 174,469                    | 37,877                  |
| Transportation equipment                       | <u>530,566</u>             | <u>530,566</u>          |
|  | 6,826,372                  | 6,626,853               |
| Less accumulated depreciation and amortization | <u>4,266,748</u>           | <u>4,108,890</u>        |
|  | \$ <u><u>2,559,624</u></u> | <u><u>2,517,963</u></u> |

Depreciation expense for the years ended September 30, 2022 and 2021 was \$157,859 and \$183,750, respectively.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

### (3) Property and Equipment - Continued

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, 2022 and 2021. In December 2020, one of the facilities was sold which reduced the net book value of property and equipment by \$85,918 and also reduced the related deposit liability by \$171,278. In July 2021, an additional facility was sold which reduced the net book value of property and equipment by \$14,916 and also reduced the related deposit liability by \$102,676. 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, 2022 and 2021, the net book value of the property subject to these liens was \$1,325,110 and \$1,329,989, respectively.

### (4) Contributions Receivable

Contributions receivable as of September 30, 2022 and 2021 consists of the following:

|                                      | <u>2022</u>       | <u>2021</u>    |
|--------------------------------------|-------------------|----------------|
| Florida Department of Transportation | \$ 78,985         | 78,985         |
| Foundation contribution              | 107,200           | 123,300        |
| Less unamortized discount            | <u>(10,187)</u>   | <u>(6,271)</u> |
|                                      | <u>\$ 175,998</u> | <u>196,014</u> |
| Amounts due in:                      |                   |                |
| Less than one year                   | \$ 105,784        | 106,384        |
| One to five years                    | 67,000            | 68,500         |
| More than five years                 | <u>13,401</u>     | <u>27,401</u>  |
|                                      | <u>\$ 186,185</u> | <u>202,285</u> |

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 1.32%.

## MACDONALD TRAINING CENTER, INC. AND AFFILIATES

### Notes to Combined Financial Statements – Continued

#### (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 35% of total operating support and revenue for each of the years ended September 30, 2022 and 2021.

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 no uninsured cash and cash equivalent balances at September 30, 2022.

#### (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 (6.25% at September 30, 2022) or a minimum interest rate of 4%. At September 30, 2022 and 2021, there were no outstanding balances on the lines of credit.

#### (7) Paycheck Protection Program Loan

The Organization applied for and received a second round forgivable Paycheck Protection Loan of \$753,502 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on February 22, 2021. Under the terms of the loan, the balance was forgivable to the extent the proceeds were used for certain qualified costs for the 24 week period through August 9, 2021 and that certain employment levels were maintained. To the extent a portion of the loan did not meet the criteria to be forgiven, such amount was due and payable in monthly installments beginning December 2021 and carried an interest rate of 1.00%. Through September 30, 2021, the Organization 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 for the year then ended 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 November 2, 2021.

#### (8) Leases

At September 30, 2022, the Organization was obligated under capital leases for certain office equipment that expire through fiscal 2025. At September 30, 2022, the gross amount of equipment and the related accumulated amortization recorded under the capital lease was \$35,775 and \$24,232, respectively. At September 30, 2021, the gross amount of equipment and the related accumulated amortization recorded under the capital lease was \$33,221 and \$17,164, respectively. Amortization of the assets held under the capital lease is included in depreciation expense.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

### (8) Leases - Continued

The Organization has an operating lease for space in Tampa, Florida. The lease term commenced in August 2020 and expires in October 2030. The lease includes an abatement of rent for the first three months of the lease term, a 3% annual rental increase and provides for one five-year renewal option. The Organization is required to fund a proportionate share of facility operating expenses and property taxes. Rent expense in connection with this lease, which is allocated to occupancy expenses in the accompanying combined statement of functional expenses, was \$99,149 and \$115,675 for the years ended September 30, 2022 and 2021, respectively.

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 2022 and 2021 was \$34,152 and \$43,279, respectively, and was recorded as a reduction of the related deposit liability. At September 30, 2022 and 2021, the gross amount of assets held under the sale-leaseback agreement was \$530,956 and \$530,956 and the related accumulated depreciation was \$394,571 and \$383,101, respectively.

In December 2020, as a result of one of the facilities being sold, the Organization removed property with a net book value of \$85,918 from its books and reduced the related sale-leaseback deposit liability by \$171,278. This transaction resulted in a gain of \$85,360 which is reflected in the accompanying combined financial statements for the year ended September 30, 2021.

In July 2021, as a result of one of the facilities being sold, the Organization removed property with a net book value of \$14,916 from its books and reduced the related sale-leaseback deposit liability by \$102,676. This transaction resulted in a gain of \$87,760 which is reflected in the accompanying combined financial statements for the year ended September 30, 2021.

Future minimum lease payments under the noncancellable operating lease and the present value of future minimum capital lease payments as of September 30, 2022 are as follows:

| <u>Year Ending September 30,</u>                    | <u>Capital<br/>Leases</u> | <u>Operating<br/>Leases</u> | <u>Total</u>   |
|---|---------------------------|-----------------------------|----------------|
| 2023  | \$ 6,296                  | 117,207                     | 123,503        |
| 2024  | 3,626                     | 96,640                      | 100,266        |
| 2025  | 429                       | 99,533                      | 99,962         |
| 2026  | -                         | 102,507                     | 102,507        |
| 2027  | -                         | 105,573                     | 105,573        |
| Thereafter  | -                         | 346,000                     | 346,000        |
| Total minimum lease payments                        | 10,351                    | <u>867,460</u>              | <u>877,811</u> |
| Less amount representing interest                   | <u>14</u>                 |                             |                |
| Present value of minimum capital lease payments     | 10,337                    |                             |                |
| Current installments of capital lease obligation    | <u>6,286</u>              |                             |                |
| Capital lease obligation, less current installments | <u>\$ 4,051</u>           |                             |                |

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

### (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, 2022 and 2021.

### (10) Net Assets With Donor Restrictions

Donor restrictions on net assets as of September 30, 2022 and 2021 relate to the following:

|   | <u>2022</u>         | <u>2021</u>      |
|---|---------------------|------------------|
| Contribution restricted for staff recruitment and retention and client social opportunities | \$ 333,802          | 341,802          |
| Contributions restricted for outside picnic area  | 8,082               | 8,568            |
| Contribution restricted for training hospital room  | -                   | 903              |
| Contribution restricted for Sabal Park  | 2,292               | 1,041            |
| Contribution restricted to support disabled activities                                      | 154,200             | -                |
| Contribution restricted for community living support  | -                   | 2,905            |
| Transportation vouchers   | 18,082              | -                |
| Lien on contributed vehicles  | 22,824              | 44,080           |
| Liens on operating facility   | 1,369,168           | 1,196,990        |
| Grants restricted for acquisition of vehicles   | 78,985              | 78,985           |
| Contributions restricted for future periods   | <u>207,014</u>      | <u>117,030</u>   |
|   | <u>\$ 2,194,449</u> | <u>1,792,304</u> |

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.

## MACDONALD TRAINING CENTER, INC. AND AFFILIATES

### Notes to Combined Financial Statements – Continued

#### (10) Net Assets With Donor Restrictions - Continued

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 \$1,192,598 (including land with a net book value of \$1,185,529) and \$1,196,990 (including land with a net book value of \$1,185,529) as of September 30, 2022 and 2021, respectively. For each of the years ended September 30, 2022 and 2021, the Organization recorded a release of restriction equal to 90% of depreciation expense on the property totaling \$4,392 and \$5,843, 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 30<sup>th</sup> 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 30<sup>th</sup> 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, 2022 and 2021 were as follows:

|                                |                            |
|--------------------------------|----------------------------|
| Balance at September 30, 2020  | \$ 2,760,817               |
| Investment income              | 28,607                     |
| Realized and unrealized gains  | 749,619                    |
| Reclassifications              | 317,232                    |
| Contributions                  | 1,000                      |
| Withdrawals                    | <u>(265,528)</u>           |
| Balance at September 30, 2021  | 3,591,747                  |
| Investment income              | 69,804                     |
| Realized and unrealized losses | (682,882)                  |
| Reclassifications              | 34,152                     |
| Contributions                  | 1,042                      |
| Withdrawals                    | <u>(326,195)</u>           |
| Balance at September 30, 2022  | \$ <u><u>2,687,668</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, 2022 is as follows:

|                                    | <u>Fair Value</u>   | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> |
|------------------------------------|---------------------|------------------|----------------|----------------|
| Money market funds                 | \$ 70,883           | -                | 70,883         | -              |
| Common stocks:                     |                     |                  |                |                |
| US Large Growth                    | 129,618             | 129,618          | -              | -              |
| US Large Cap Blend                 | 216,669             | 216,669          | -              | -              |
| US Large Value                     | 213,994             | 213,994          | -              | -              |
| US Mid Cap Growth                  | 22,279              | 22,279           | -              | -              |
| US Mid Cap Value Equity            | 26,513              | 26,513           | -              | -              |
| US Small Cap Value                 | 21,399              | 21,399           | -              | -              |
| US Small Cap Blend                 | 85,859              | 85,859           | -              | -              |
| International                      | 102,814             | 102,814          | -              | -              |
| Other                              | 73,895              | 73,895           | -              | -              |
| Mutual funds and ETF's - equities: |                     |                  |                |                |
| US Large Cap Blend                 | 949,557             | 949,557          | -              | -              |
| US Large Value                     | 53,336              | 53,336           | -              | -              |
| US Mid Cap Growth                  | 11,085              | 11,085           | -              | -              |
| US Mid Cap Blend                   | 12,059              | 12,059           | -              | -              |
| US Mid Cap Value Equity            | 24,354              | 24,354           | -              | -              |
| US Small Cap Growth                | 34,869              | 34,869           | -              | -              |
| US Small Cap Blend                 | 176,165             | 176,165          | -              | -              |
| US Small Cap Value                 | 39,668              | 39,668           | -              | -              |
| High yield bond                    | 364,719             | 364,719          | -              | -              |
| Intermediate term bond             | 16,229              | 16,229           | -              | -              |
| Ultrashort bond                    | 80,356              | 80,356           | -              | -              |
| Market neutral                     | 25,441              | 25,441           | -              | -              |
| International                      | 183,323             | 183,323          | -              | -              |
| Emerging Markets                   | 61,690              | 61,690           | -              | -              |
| Community Foundation investment    | 49,910              | -                | 49,910         | -              |
| Total investments                  | <u>\$ 3,046,684</u> | <u>2,925,891</u> | <u>120,793</u> | <u>-</u>       |

# 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, 2021 is as follows:

|                                    | <u>Fair Value</u>   | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> |
|------------------------------------|---------------------|------------------|----------------|----------------|
| Money market funds                 | \$ 92,104           | -                | 92,104         | -              |
| Common stocks:                     |                     |                  |                |                |
| US Large Growth                    | 142,051             | 142,051          | -              | -              |
| US Large Cap Blend                 | 278,905             | 278,905          | -              | -              |
| US Large Value                     | 322,620             | 322,620          | -              | -              |
| US Mid Cap Growth                  | 29,417              | 29,417           | -              | -              |
| US Mid Cap Value Equity            | 44,087              | 44,087           | -              | -              |
| US Small Cap Value                 | 37,395              | 37,395           | -              | -              |
| US Small Cap Growth                | 112,252             | 112,252          | -              | -              |
| International                      | 150,833             | 150,833          | -              | -              |
| Other                              | 76,038              | 76,038           | -              | -              |
| Mutual funds and ETF's - equities: |                     |                  |                |                |
| US Large Growth                    | -                   | -                | -              | -              |
| US Large Cap Blend                 | 1,306,429           | 1,306,429        | -              | -              |
| US Large Value                     | 60,349              | 60,349           | -              | -              |
| US Mid Cap Growth                  | 9,452               | 9,452            | -              | -              |
| US Mid Cap Blend                   | 14,469              | 14,469           | -              | -              |
| US Mid Cap Value Equity            | 23,734              | 23,734           | -              | -              |
| US Small Cap Growth                | 21,618              | 21,618           | -              | -              |
| US Small Cap Blend                 | 200,795             | 200,795          | -              | -              |
| US Small Cap Value                 | 42,753              | 42,753           | -              | -              |
| High Yield Bond                    | 287,153             | 287,153          | -              | -              |
| Ultrasort Bond                     | 129,349             | 129,349          | -              | -              |
| Market Neutral                     | 55,899              | 55,899           | -              | -              |
| International                      | 257,065             | 257,065          | -              | -              |
| Emerging Markets                   | 232,757             | 232,757          | -              | -              |
| Community Foundation investment    | 57,391              | -                | 57,391         | -              |
| Total investments                  | <u>\$ 3,984,915</u> | <u>3,835,420</u> | <u>149,495</u> | <u>-</u>       |

### (14) 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.

The following represents the Organization's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use because of contractual, donor imposed, or board 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.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Notes to Combined Financial Statements – Continued

### (14) Liquidity and Availability of Resources - Continued

|  | <u>2022</u>         | <u>2021</u>      |
|--|---------------------|------------------|
| Financial assets:  |                     |                  |
| Cash and cash equivalents  | \$ 1,305,913        | 1,149,536        |
| Accounts receivable, net   | 1,397,505           | 827,118          |
| Contributions receivable, net  | 175,998             | 196,014          |
| Investments  | <u>3,046,684</u>    | <u>3,984,915</u> |
| Total financial assets   | 5,926,100           | 6,157,583        |
| Less amounts unavailable for general expenditure within one year due to:               |                     |                  |
| Board-designated endowment   | (2,687,668)         | (3,591,747)      |
| Donor-imposed restrictions:  |                     |                  |
| Contributions restricted for future periods  | (140,214)           | (89,630)         |
| Restricted for specific programs by donors   | <u>(595,443)</u>    | <u>(434,204)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,502,775</u> | <u>2,042,002</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).

### (15) Subsequent Events

The Organization has evaluated subsequent events through May 26, 2023, 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, 2022

|  | MacDonald<br>Training<br>Center,<br>Inc. | MacDonald<br>Training<br>Center<br>Properties, Inc. | MacDonald<br>Training<br>Center<br>Foundation, Inc. | Eliminations     | Combined<br>Totals |
|--|--|---|---|------------------|--------------------|
| <b>Assets</b>  |  |   |   |                  |                    |
| Current assets:                                      |  |   |   |                  |                    |
| Cash and cash equivalents                            | \$ 1,236,205                             | 2,442   | 67,266  | -                | 1,305,913          |
| Accounts receivable:                                 |  |   |   |                  |                    |
| Funding sources                                      | 87,351                                   | -   | -   | -                | 87,351             |
| Grants   | 97,250                                   | -   | -   | -                | 97,250             |
| Medwaiver and private insurance, net                 | 752,708                                  | -   | -   | -                | 752,708            |
| Commercial, net                                      | 450,819                                  | -   | -   | -                | 450,819            |
| Other  | 8,487                                    | 890   | -   | -                | 9,377              |
| Intercompany, net                                    | 352,336                                  | (25,978)  | -   | (326,358)        | -                  |
| Current portion of contributions receivable          | 105,784                                  | -   | -   | -                | 105,784            |
| Inventories  | 110,772                                  | -   | -   | -                | 110,772            |
| Prepaid expenses and other current assets            | 39,116                                   | 20,546  | 1,750   | -                | 61,412             |
| Total current assets                                 | 3,240,828                                | (2,100)   | 69,016  | (326,358)        | 2,981,386          |
| Investments  | -  | -   | 3,046,684   | -                | 3,046,684          |
| Contributions receivable, less current portion       | 70,214                                   | -   | -   | -                | 70,214             |
| Accounts receivable - funding sources, non-current   | 70,000                                   | -   | -   | -                | 70,000             |
| Property and equipment, net                          | 217,479                                  | 2,342,145   | -   | -                | 2,559,624          |
| Other assets   | 23,428                                   | 9,355   | 8,384   | -                | 41,167             |
|  | <u>\$ 3,621,949</u>                      | <u>2,349,400</u>                                    | <u>3,124,084</u>                                    | <u>(326,358)</u> | <u>8,769,075</u>   |
| <b>Liabilities and Net Assets</b>                    |  |   |   |                  |                    |
| Current liabilities:                                 |  |   |   |                  |                    |
| Current installments of capital lease obligations    | \$ 6,286                                 | -   | -   | -                | 6,286              |
| Accounts payable and accrued expenses                | 567,969                                  | 19,036  | 6,440   | -                | 593,445            |
| Intercompany, net                                    | -  | -   | 326,358   | (326,358)        | -                  |
| Refundable advances                                  | 748,234                                  | -   | -   | -                | 748,234            |
| Total current liabilities                            | 1,322,489                                | 19,036  | 332,798   | (326,358)        | 1,347,965          |
| Deposit liability                                    | -  | 359,016   | -   | -                | 359,016            |
| Capital lease obligations, less current installments | 4,051                                    | -   | -   | -                | 4,051              |
| Total liabilities                                    | 1,326,540                                | 378,052   | 332,798   | (326,358)        | 1,711,032          |
| Net assets   | <u>2,295,409</u>                         | <u>1,971,348</u>                                    | <u>2,791,286</u>                                    | <u>-</u>         | <u>7,058,043</u>   |
|  | <u>\$ 3,621,949</u>                      | <u>2,349,400</u>                                    | <u>3,124,084</u>                                    | <u>(326,358)</u> | <u>8,769,075</u>   |

See accompanying independent auditors' report.

# MACDONALD TRAINING CENTER, INC. AND AFFILIATES

## Combining Statement of Changes in Net Assets

Year Ended September 30, 2022

|   | MacDonald<br>Training<br>Center, Inc. | MacDonald<br>Training<br>Center<br>Properties, Inc. | MacDonald<br>Training<br>Center<br>Foundation, Inc. | Eliminations | Combined<br>Totals |
|---|---------------------------------------|---|---|--------------|--------------------|
| Support and revenue:  |                                       |   |   |              |                    |
| Support:  |                                       |   |   |              |                    |
| Special events revenue  | \$ 42,085                             | -   | -   | -            | 42,085             |
| Less special events costs   | (25,158)                              | -   | -   | -            | (25,158)           |
| Net revenue from special events   | 16,927                                | -   | -   | -            | 16,927             |
| Contributions and grants  | 1,084,126                             | -   | 18,030  | -            | 1,102,156          |
|   | 1,101,053                             | -   | 18,030  | -            | 1,119,083          |
| Revenue:  |                                       |   |   |              |                    |
| Product sales   | 2,305,171                             | -   | -   | -            | 2,305,171          |
| Cost of product sales   | (425,109)                             | -   | -   | -            | (425,109)          |
| Net product sales   | 1,880,062                             | -   | -   | -            | 1,880,062          |
| Medwaiver and private pay   | 1,617,894                             | -   | -   | -            | 1,617,894          |
| Funding contracts   | 304,495                               | -   | -   | -            | 304,495            |
| Rental income   | -                                     | 4,700   | -   | -            | 4,700              |
| Investment return designated for<br>current operations  | -                                     | -   | 326,195   | -            | 326,195            |
| Other revenue   | 374,695                               | -   | -   | -            | 374,695            |
| Intercompany revenue  | 445,194                               | 366,997   | -   | (812,191)    | -                  |
|   | 4,622,340                             | 371,697   | 326,195   | (812,191)    | 4,508,041          |
| Total support and revenue   | 5,723,393                             | 371,697   | 344,225   | (812,191)    | 5,627,124          |
| Expenses:   |                                       |   |   |              |                    |
| Program services  | 4,749,905                             | 287,666   | -   | (366,997)    | 4,670,574          |
| Supporting services   | 1,042,607                             | 69,425  | 406,488   | (445,194)    | 1,073,326          |
| Total expenses  | 5,792,512                             | 357,091   | 406,488   | (812,191)    | 5,743,900          |
| Increase (decrease) in net assets<br>before other changes                                       | (69,119)                              | 14,606  | (62,263)  | -            | (116,776)          |
| Other changes:  |                                       |   |   |              |                    |
| Investment return in excess of (deficient to fund)<br>amounts designated for current operations | -                                     | -   | (939,232)   | -            | (939,232)          |
| Increase (decrease) in net assets   | (69,119)                              | 14,606  | (1,001,495)   | -            | (1,056,008)        |
| Net assets, at beginning of year  | 2,364,528                             | 1,956,742   | 3,792,781   | -            | 8,114,051          |
| Net assets, at end of year  | \$ 2,295,409                          | 1,971,348   | 2,791,286   | -            | 7,058,043          |

See accompanying independent auditors' report.

## **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, 2022, 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 May 26, 2023.

**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.

May 26, 2023  
St. Petersburg, Florida