

**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, 2023 and 2022
(With Independent Auditors' Report Thereon)**

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Table of Contents

	<u>Page</u>
AUDITED FINANCIAL STATEMENTS	
Independent Auditors' 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 - 28
SUPPLEMENTARY FINANCIAL INFORMATION	
Combining Statement of Financial Position	29
Combining Statement of Changes in Net Assets	30
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 <i>Government Auditing Standards</i>	31 - 32

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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, 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, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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.

Change in Accounting Principle

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

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' 2022 combined financial statements, and our report dated May 26, 2023 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, 2022, 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 February 12, 2024 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 12, 2024
St. Petersburg, Florida

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combined Statements of Financial Position

September 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents (Note 5)	\$ 1,516,218	1,305,913
Accounts receivable:		
Funding sources	18,986	87,351
Grants	144,818	97,250
Medwaiver and private pay, net of allowance for doubtful accounts of approximately \$33,800 and \$74,000 in 2023 and 2022, respectively	298,714	752,708
Commercial, net of allowance for doubtful accounts of approximately \$3,900 in 2023 and 2022, respectively	558,085	450,819
Employee retention tax credit (Note 7)	665,780	-
Other	18,964	9,377
Current portion of contributions receivable (Note 4)	111,977	105,784
Inventories	151,332	110,772
Prepaid expenses and other current assets	<u>102,228</u>	<u>61,412</u>
Total current assets	3,587,102	2,981,386
Investments (Notes 2 and 13)	3,402,448	3,046,684
Contributions receivable, less current portion (Note 4)	71,061	70,214
Right-of-use assets under operating leases (Note 8)	608,450	-
Accounts receivable - funding sources, non-current	-	70,000
Property and equipment, net (Notes 3 and 8)	2,525,222	2,559,624
Other assets	<u>39,562</u>	<u>41,167</u>
	<u><u>\$ 10,233,845</u></u>	<u><u>8,769,075</u></u>

Liabilities and Net Assets	2023	2022
Current liabilities:		
Current installments of capital lease obligations	\$ -	6,286
Current portion of operating lease liabilities (Note 8)	73,623	-
Current portion of finance lease liabilities (Note 8)	2,656	-
Accounts payable and accrued expenses	1,131,668	593,445
Refundable advances	425,781	748,234
Total current liabilities	1,633,728	1,347,965
Deposit liability (Notes 3 and 8)	255,744	359,016
Capital lease obligations, less current installments	-	4,051
Operating lease liabilities, less current portion (Note 8)	582,774	-
Finance lease liabilities, less current portion (Note 8)	351	-
Total liabilities	2,472,597	1,711,032
Net assets:		
Without donor restrictions:		
Undesignated	1,586,696	842,061
Designated for long-term purposes (Note 11)	2,952,169	2,687,668
Net investment in property and equipment	1,147,560	1,333,865
	5,686,425	4,863,594
With donor restrictions (Note 10)	2,074,823	2,194,449
Total net assets	7,761,248	7,058,043
Commitments and contingencies (Notes 8 and 12)	-	-
	<u>\$ 10,233,845</u>	<u>8,769,075</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, 2023 and 2022

	2023	2022
Operating support and revenue (Note 5):		
Support:		
Special events revenue	\$ 65,692	42,085
Less special event costs	(27,183)	(25,158)
Net revenue from special events	38,509	16,927
Contributions and grants	760,260	604,186
	798,769	621,113
Revenue:		
Product sales	5,796,063	2,305,171
Cost of product sales	(3,906,346)	(1,011,516)
Net product sales	1,889,717	1,293,655
Medwaiver and private pay	1,980,590	1,617,894
Funding contracts	316,622	304,495
Rental income	5,537	4,700
Investment return designated for current operations (Note 2)	259,562	326,195
Other revenue	508,037	374,695
	4,960,065	3,921,634
Net assets released from restrictions:		
Expiration of time restrictions	47,436	45,016
Expiration of time restrictions on capital assets	14,331	25,648
Satisfaction of use restrictions	120,359	25,161
	182,126	95,825
Total operating support and revenue	5,940,960	4,638,572
Operating expenses:		
Program services	4,593,620	4,084,167
Supporting services:		
Management and general	876,614	819,416
Development	327,172	253,910
	1,203,786	1,073,326
Total operating expenses	5,797,406	5,157,493
Increase (decrease) in net assets without donor restrictions from operations	143,554	(518,921)
Other changes:		
Gain on property disposals (Note 8)	28,287	-
Employee retention tax credit (Note 7)	495,198	-
Investment return in excess of (deficient to fund) amounts designated for current operations (Note 2)	155,792	(939,232)
Increase (decrease) in net assets without donor restrictions	\$ 822,831	(1,458,153)

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Operating support and revenue	\$ 5,758,834	4,542,747
Operating expenses	(5,797,406)	(5,157,493)
Gain on property disposals (Note 8)	28,287	-
Employee retention tax credit (Note 7)	495,198	-
Investment return in excess of (deficient to fund) amounts designated for current operations (Note 2)	155,792	(939,232)
Net assets released from restrictions	<u>182,126</u>	<u>95,825</u>
Increase (decrease) in net assets without donor restrictions	822,831	(1,458,153)
Net assets with donor restrictions:		
Contributions and bequests	62,500	201,400
Facilities grant	-	176,570
United Way support	-	120,000
Net assets released from restrictions	<u>(182,126)</u>	<u>(95,825)</u>
Increase (decrease) in net assets with donor restrictions	<u>(119,626)</u>	<u>402,145</u>
Increase (decrease) in net assets	703,205	(1,056,008)
Net assets, at beginning of year	<u>7,058,043</u>	<u>8,114,051</u>
Net assets, at end of year	<u>\$ 7,761,248</u>	<u>7,058,043</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combined Statement of Functional Expenses

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

	Program Services						Supporting Services			Total Expenses	
	Day Services	Education	Employment	Community Living	Business Enterprise	Total	Management and General	Development	Total	2023	2022
Salaries and wages	\$ 964,805	294,922	484,450	718,802	342,505	2,805,484	629,489	277,356	906,845	3,712,329	3,303,214
Benefits and payroll taxes	162,367	62,784	66,979	136,576	55,813	484,519	170,209	25,327	195,536	680,055	596,852
Program expense	22,159	40,190	15,932	32,832	-	111,113	-	-	-	111,113	105,748
Fleet expenses	173,164	2,467	-	-	-	175,631	-	-	-	175,631	148,791
Cypress occupancy	94,175	38,079	5,188	4,843	82,469	224,754	17,784	4,765	22,549	247,303	205,603
Sabal occupancy	172,666	-	-	-	-	172,666	-	-	-	172,666	163,859
Business enterprise	-	267	-	-	62,792	63,059	-	-	-	63,059	134,297
Professional services	63,889	20,413	20,673	50,072	45,027	200,074	21,459	4,415	25,874	225,948	104,295
Technology expenses	40,400	20,066	18,779	27,172	19,704	126,121	17,145	8,396	25,541	151,662	109,921
Other	32,929	13,004	5,852	11,948	44,330	108,063	10,862	4,323	15,185	123,248	127,054
Total expenses before depreciation	1,726,554	492,192	617,853	982,245	652,640	4,471,484	866,948	324,582	1,191,530	5,663,014	4,999,634
Depreciation	51,177	20,693	2,819	2,632	44,815	122,136	9,666	2,590	12,256	134,392	157,859
Total expenses	\$ 1,777,731	512,885	620,672	984,877	697,455	4,593,620	876,614	327,172	1,203,786	5,797,406	5,157,493

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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 703,205	(1,056,008)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	134,392	157,859
Non-cash lease expense	73,666	-
Gain on property disposals	(28,287)	-
Realized and unrealized losses (gains) on investments	(354,206)	682,882
Changes in assets and liabilities:		
Increase in accounts receivable	(244,882)	(620,371)
Decrease (increase) in inventories	(40,560)	61,625
Decrease (increase) in prepaid expenses and other assets	(39,211)	21,684
Increase in accounts payable and accrued expenses	538,223	143,992
Decrease in operating lease liabilities	(25,719)	-
Increase (decrease) in refundable advances	(322,453)	748,234
Net cash provided by operating activities	394,168	139,897
Cash flows from investing activities:		
Purchases of property and equipment	(145,246)	(196,966)
Purchases of investments	(389,587)	(470,517)
Proceeds from sale of investments	388,029	725,866
Net cash provided by (used in) investing activities	(146,804)	58,383
Cash flows from financing activities:		
Decrease in deposit liability	(29,729)	(34,152)
Principal payments on finance lease obligations	(7,330)	(7,751)
Net cash used in financing activities	(37,059)	(41,903)
Net increase in cash and cash equivalents	210,305	156,377
Cash and cash equivalents, beginning of year	1,305,913	1,149,536
Cash and cash equivalents, end of year	\$ 1,516,218	1,305,913
Noncash investing and financing transactions:		
Equipment acquired under a capital lease agreement	\$ -	2,554
Deposit liability reduction resulting from sale of property under sale-leaseback arrangement	\$ 73,543	-
Initial recognition of operating lease right-of-use asset and related operating lease liability upon adoption of ASC 842	\$ 682,116	-

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements

September 30, 2023 and 2022

(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, 2022, 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, 2023 and 2022 were \$425,781 and \$748,234, respectively.

(f) Cash and Cash Equivalents

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

(g) Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

At September 30, 2023 and 2022, approximately 27% and 28%, respectively, of net commercial receivables are due from Respect of Florida.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

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

(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.

(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.

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 - Continued

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 2019 are open for examination. The Organization does not believe it has any unrecognized exposure relating to uncertain tax positions at September 30, 2023.

(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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

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

(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.

(q) **Recently Adopted Accounting Pronouncement**

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

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

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 - Continued

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

As a result of the adoption of the new leasing accounting guidance, the Organization recognized on October 1, 2022, finance lease liabilities at the carrying amount of the capital lease obligations on September 30, 2022, of \$10,337 and ROU assets at the carrying amount of the capital lease assets of \$11,543. Additionally, as a result of the adoption of this standard, the Organization recognized on October 1, 2022, an operating lease liability of \$724,739, which represents the present value of the remaining operating lease payments, discounted using the risk-free rate, and an operating lease ROU asset of \$682,116.

The standard had an impact on the Organization's combined statement of financial position as of September 30, 2023 but did not have an impact on the Organization's combined statements of changes in net assets or cash flows for the year then ended. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for the Organization's finance leases remained substantially unchanged. See Note 8 for further information on the Organization's leases.

(r) Leases

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

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

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(2) Investments

At September 30, 2023 and 2022, the cost and market value of investments were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Long-term investments:				
Money market fund	\$ 25,617	25,617	70,883	70,883
Certificates of deposit	213,000	213,000	-	-
Common stocks	750,570	939,245	792,339	893,040
Mutual funds and exchange traded funds	1,799,835	2,166,948	1,861,715	2,032,851
Community Foundation	32,000	57,638	31,000	49,910
	<u>\$ 2,821,022</u>	<u>3,402,448</u>	<u>2,755,937</u>	<u>3,046,684</u>

At September 30, 2023 and 2022, 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 (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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 82,425	103,088
Net realized and unrealized gains (losses)	354,206	(682,882)
Investment management fees	(21,277)	(33,243)
 Total investment return	 415,354	 (613,037)
 Investment return designated for current operations	 <u>259,562</u>	 <u>326,195</u>
 Investment return in excess of (deficient to fund) amounts designated for current operations	 <u>\$ 155,792</u>	 <u>(939,232)</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(3) Property and Equipment

Property and equipment at September 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 1,385,463	1,397,463
Buildings and improvements	3,935,526	3,932,553
Furniture and equipment	476,727	456,127
Computers and software	35,666	335,194
Construction in progress	71,020	174,469
Transportation equipment	605,491	530,566
	<u>6,509,893</u>	<u>6,826,372</u>
Less accumulated depreciation and amortization	<u>3,984,671</u>	<u>4,266,748</u>
	<u>\$ 2,525,222</u>	<u>2,559,624</u>

Depreciation expense for the years ended September 30, 2023 and 2022 was \$134,392 and \$157,859, 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, 2023 and 2022. In December 2022, one of the facilities was sold which reduced the net book value of property and equipment by \$43,256 and also reduced the related deposit liability by \$73,543. 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, 2023 and 2022, the net book value of the property subject to these liens was \$1,325,068 and \$1,325,110, respectively.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(4) Contributions Receivable

Contributions receivable as of September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Florida Department of Transportation	\$ 78,985	78,985
Other pledges	14,475	-
Foundation contribution	100,800	107,200
Less unamortized discount	<u>(11,222)</u>	<u>(10,187)</u>
	<u>\$ 183,038</u>	<u>175,998</u>
Amounts due in:		
Less than one year	\$ 111,977	105,784
One to five years	82,283	67,000
More than five years	<u>-</u>	<u>13,401</u>
	<u>\$ 194,260</u>	<u>186,185</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 approximately 4%.

(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 20% and 35% of total operating support and revenue for each of the years ended September 30, 2023 and 2022, 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 no uninsured cash and cash equivalent balances at September 30, 2023.

(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 (8.5% at September 30, 2023) or a minimum interest rate of 6.25%. At September 30, 2023 and 2022, there were no outstanding balances on the lines of credit.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(7) Employee Retention Tax Credit

The CARES Act provides an employee retention credit (“ERC”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter and available to entities who received federal Paycheck Protection Program loans. Based on the 2021 relief provisions, the Organization qualified for the tax credit in fiscal 2021 and applied for the available credits in fiscal 2023. The Organization has elected to apply the provisions of ASU 2018-08, *Clarifying Guidance for Contributions Received and Contributions Made* (Topic 958-605) as the relevant guidance for a not-for-profit entity for this type of conditional federal award. During the fiscal year ended September 30, 2023, the Organization recognized approximately \$495,000 related to the ERC in the Organization’s fiscal 2023 statement of support and revenue, expenses and other changes in net assets without donor restrictions. The amount reported in fiscal 2023, is net of the return of an ERC amount of approximately \$171,000 previously collected by the Organization. As of September 30, 2023, the Organization’s combined statement of financial position reflects an ERC receivable of approximately \$666,000.

(8) Leases

The Organization has operating and finance leases of office space and equipment. The leases have remaining lease terms ranging from 1 to 7 years. Leases with initial terms of 12 months or less are not recorded on the combined statement of financial position. Expense under these short-term leases is recognized on a straight-line basis over the lease term.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(8) Leases - Continued

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

Operating leases:	
Operating lease right-of-use assets	\$ <u>608,450</u>
Current portion of operating lease liabilities	\$ 73,623
Operating lease liabilities, less current portion	<u>582,774</u>
	\$ <u>656,397</u>
Finance leases:	
Property and equipment	\$ 35,772
Accumulated amortization	<u>31,724</u>
	\$ <u>4,048</u>
Current portion of finance lease liabilities	\$ 2,656
Finance lease liabilities, less current portion	<u>351</u>
	\$ <u>3,007</u>

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

Weighted average remaining lease terms:	
Operating leases	7.09 years
Finance leases	.72 years
Weighted average discount rates:	
Operating leases	3.75%
Finance leases	4.08%

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(8) Leases - Continued

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

Operating lease cost	\$	99,149
Variable lease cost		<u>51,066</u>
 Total lease costs	\$	<u><u>150,215</u></u>
 Finance lease costs:		
Amortization of lease assets included in depreciation and amortization expense	\$	7,495
Interest on lease liabilities included in interest expense		<u>311</u>
	\$	<u><u>7,806</u></u>

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

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	93,827
Operating cash flows from finance leases		311
Financing cash flows from finance leases		7,330
 Lease assets obtained in exchange for lease obligations:		
Operating leases	\$	682,116

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

<u>Year Ending September 30,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 96,640	2,715
2025	99,533	355
2026	102,507	-
2027	105,573	-
2028	108,773	-
Thereafter	<u>237,227</u>	<u>-</u>
 Total payments	750,253	3,070
 Less interest	<u>(93,856)</u>	<u>(63)</u>
 Present value of lease liabilities	\$ <u><u>656,397</u></u>	<u><u>3,007</u></u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(8) Leases - Continued

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 2023 and 2022 was \$29,730 and \$34,152, respectively, and was recorded as a reduction of the related deposit liability. At September 30, 2023 and 2022, the gross amount of assets held under the sale-leaseback agreement was \$404,184 and \$530,956, respectively, and the related accumulated depreciation was \$315,720 and \$394,571, respectively.

In December 2022, as a result of one of the facilities being sold, the Organization removed property with a net book value of \$43,256 from its books and reduced the related sale-leaseback deposit liability by \$73,543. This transaction resulted in a gain of \$30,287 which is reflected in the accompanying combined financial statements for the year ended September 30, 2023.

Lease Disclosure Under ASC 840

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

<u>Year Ending September 30,</u>	<u>Capital Lease</u>	<u>Operating Lease</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>		

(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, 2023 and 2022.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(10) Net Assets With Donor Restrictions

Donor restrictions on net assets as of September 30, 2023 and 2022 relate to the following:

	2023	2022
Contribution restricted for staff recruitment and retention and client social opportunities	\$ 297,283	333,802
Contributions restricted for outside picnic area	8,082	8,082
Contribution restricted for Sabal Park	1,868	2,292
Contribution restricted to support disabled activities	151,366	154,200
Transportation vouchers	-	18,082
Lien on contributed vehicles	8,530	22,824
Liens on operating facility	1,369,131	1,369,168
Grants restricted for acquisition of vehicles	78,985	78,985
Contributions restricted for future periods	159,578	207,014
	\$ 2,074,823	2,194,449

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 \$1,187,788 (including land with a net book value of \$1,185,529) and \$1,192,598 (including land with a net book value of \$1,185,529) as of September 30, 2023 and 2022, respectively. For each of the years ended September 30, 2023 and 2022, the Organization recorded a release of restriction equal to 90% of depreciation expense on the property totaling \$4,810 and \$4,392 respectively.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(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.

Changes in endowment fund net assets for the years ended September 30, 2023 and 2022 were as follows:

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		(326,195)
		2,687,668
Balance at September 30, 2022		2,687,668
Investment income		60,106
Realized and unrealized gains		359,685
Reclassifications		103,272
Contributions		1,000
Withdrawals		(259,562)
		2,952,169
Balance at September 30, 2023	\$	2,952,169

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(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.

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.

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, 2023 is as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 25,713	-	25,713	-
Certificates of deposit	213,000	-	213,000	-
Common stocks:				
US Large Growth	164,319	164,319	-	-
US Large Cap Blend	147,616	147,616	-	-
US Large Value	227,276	227,276	-	-
US Mid Cap Growth	28,420	28,420	-	-
US Mid Cap Blend	30,952	30,952	-	-
US Mid Cap Value Equity	28,791	28,791	-	-
US Small Cap Value	15,972	15,972	-	-
US Small Cap Blend	85,930	85,930	-	-
US Small Cap Growth	78,154	78,154	-	-
Other	4,512	4,512	-	-
International	127,304	127,304	-	-
Mutual funds and ETF's - equities:				
US Large Cap Blend	923,022	923,022	-	-
US Large Value	-	-	-	-
US Mid Cap Growth	12,660	12,660	-	-
US Mid Cap Blend	13,714	13,714	-	-
US Mid Cap Value Equity	26,192	26,192	-	-
US Small Cap Growth	33,986	33,986	-	-
US Small Cap Blend	190,171	190,171	-	-
US Small Cap Value	36,866	36,866	-	-
High Yield Bond	365,854	365,854	-	-
Strategic Income	77,201	77,201	-	-
Ultrashort Bond	100,460	100,460	-	-
Market Neutral	27,542	27,542	-	-
Tactical	36,728	36,728	-	-
Other	7,307	7,307	-	-
International	220,068	220,068	-	-
Emerging Markets	95,080	95,080	-	-
Community Foundation investment	57,638	-	57,638	-
Total investments	<u>\$ 3,402,448</u>	<u>3,106,097</u>	<u>296,351</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, 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	-
	<u>\$ 3,046,684</u>	<u>2,925,891</u>	<u>120,793</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.

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Notes to Combined Financial Statements - Continued

(14) Liquidity and Availability of Resources - Continued

The following represents the Organization’s financial assets as of September 30, 2023 and 2022, 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.

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,516,218	1,305,913
Accounts receivable, net	1,039,567	1,397,505
Contributions receivable, net	183,038	175,998
Investments	3,402,448	3,046,684
Total financial assets	6,141,271	5,926,100
Less amounts unavailable for general expenditure within one year due to:		
Board-designated endowment	(2,952,169)	(2,687,668)
Donor-imposed restrictions:		
Contributions restricted for future periods	(112,142)	(140,214)
Restricted for specific programs by donors	(537,584)	(595,443)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,539,376	2,502,775

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 February 12, 2024, 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, 2023

Assets	MacDonald Training Center, Inc.	MacDonald Training Center Properties, Inc.	MacDonald Training Center Foundation, Inc.	Eliminations	Combined Totals
Current assets:					
Cash and cash equivalents	\$ 1,438,566	15,985	61,667	-	1,516,218
Accounts receivable:					
Funding sources	18,986	-	-	-	18,986
Grants	144,818	-	-	-	144,818
Medwaiver and private insurance, net	298,714	-	-	-	298,714
Commercial, net	558,085	-	-	-	558,085
Employee Retention Tax Credit	665,780	-	-	-	665,780
Other	17,420	1,544	-	-	18,964
Intercompany, net	594,469	(215,658)	-	(378,811)	-
Current portion of contributions receivable	111,977	-	-	-	111,977
Inventories	151,332	-	-	-	151,332
Prepaid expenses and other current assets	80,159	20,319	1,750	-	102,228
Total current assets	4,080,306	(177,810)	63,417	(378,811)	3,587,102
Investments	200,000	-	3,202,448	-	3,402,448
Contributions receivable, less current portion	71,061	-	-	-	71,061
Right-of-use assets under operating leases	608,450	-	-	-	608,450
Property and equipment, net	264,634	2,260,588	-	-	2,525,222
Other assets	23,428	9,355	6,779	-	39,562
	<u>\$ 5,247,879</u>	<u>2,092,133</u>	<u>3,272,644</u>	<u>(378,811)</u>	<u>10,233,845</u>
Liabilities and Net Assets					
Current liabilities:					
Current portion of operating lease liabilities	\$ 73,623	-	-	-	73,623
Current portion of finance lease liabilities	2,656	-	-	-	2,656
Accounts payable and accrued expenses	1,107,133	17,513	7,022	-	1,131,668
Intercompany, net	-	-	378,811	(378,811)	-
Refundable advances	425,781	-	-	-	425,781
Total current liabilities	1,609,193	17,513	385,833	(378,811)	1,633,728
Deposit liability	-	255,744	-	-	255,744
Operating lease liabilities, less current portion	582,774	-	-	-	582,774
Finance lease liabilities, less current portion	351	-	-	-	351
Total liabilities	2,192,318	273,257	385,833	(378,811)	2,472,597
Net assets	<u>3,055,561</u>	<u>1,818,876</u>	<u>2,886,811</u>	<u>-</u>	<u>7,761,248</u>
	<u>\$ 5,247,879</u>	<u>2,092,133</u>	<u>3,272,644</u>	<u>(378,811)</u>	<u>10,233,845</u>

MACDONALD TRAINING CENTER, INC. AND AFFILIATES

Combining Statement of Changes in Net Assets

Year Ended September 30, 2023

	<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	\$ 65,692	-	-	-	65,692
Less special events costs	<u>(27,183)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,183)</u>
Net revenue from special events	38,509	-	-	-	38,509
Contributions and grants	<u>803,893</u>	<u>-</u>	<u>18,867</u>	<u>-</u>	<u>822,760</u>
	842,402	-	18,867	-	861,269
Revenue:					
Product sales	5,796,063	-	-	-	5,796,063
Cost of product sales	<u>(3,906,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,906,346)</u>
Net product sales	1,889,717	-	-	-	1,889,717
Medwaiver and private pay	1,980,590	-	-	-	1,980,590
Funding contracts	316,622	-	-	-	316,622
Rental income	-	5,537	-	-	5,537
Investment return designated for current operations	-	-	259,562	-	259,562
Other revenue	1,003,235	28,287	-	-	1,031,522
Intercompany revenue	<u>379,562</u>	<u>209,730</u>	<u>-</u>	<u>(589,292)</u>	<u>-</u>
	5,569,726	243,554	259,562	(589,292)	5,483,550
Total support and revenue	6,412,128	243,554	278,429	(589,292)	6,344,819
Expenses:					
Program services	4,473,324	330,026	-	(209,730)	4,593,620
Supporting services	<u>1,178,652</u>	<u>66,000</u>	<u>338,696</u>	<u>(379,562)</u>	<u>1,203,786</u>
Total expenses	<u>5,651,976</u>	<u>396,026</u>	<u>338,696</u>	<u>(589,292)</u>	<u>5,797,406</u>
Increase (decrease) in net assets before other changes	760,152	(152,472)	(60,267)	-	547,413
Other changes:					
Investment return in excess of (deficient to fund) amounts designated for current operations	<u>-</u>	<u>-</u>	<u>155,792</u>	<u>-</u>	<u>155,792</u>
Increase (decrease) in net assets	760,152	(152,472)	95,525	-	703,205
Net assets, at beginning of year	<u>2,295,409</u>	<u>1,971,348</u>	<u>2,791,286</u>	<u>-</u>	<u>7,058,043</u>
Net assets, at end of year	\$ <u>3,055,561</u>	<u>1,818,876</u>	<u>2,886,811</u>	<u>-</u>	<u>7,761,248</u>

INTERNAL CONTROL AND COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of MacDonald Training Center, Inc. and Affiliates (collectively a nonprofit organization), which comprise the combined statement of financial position as of September 30, 2023, 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 12, 2024.

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 12, 2024
St. Petersburg, Florida