

Members:

Douglas R. Birch, CPA*
Craig A. Gilman, CPA*
Betty Isler, CPA*
Michael D. Kindt, CPA*, CFP®
Michael E. Lewis, CPA*/ABV/CFE, CVA
Tracey McDonald, CPA*
Kathy Mills, CPA*/ABV/CFE, CVA
Anthony S. Phillips, CPA*/ABV/CFE
Ronald M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

**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, 2008 and 2007

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

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

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

We have audited the accompanying combined balance sheets of MacDonald Training Center, Inc. and Affiliates as of September 30, 2008 and 2007, and the related combined statements of unrestricted support and revenue, expenses and other changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended, and the related combined statement of functional expenses for the year ended September 30, 2008. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The prior year summarized comparative information included in the combined statement of functional expenses has been derived from the 2007 combined financial statements and, in our report dated January 29, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of MacDonald Training Center, Inc. and Affiliates as of September 30, 2008 and 2007, and their changes in net assets, and their cash flows for the years then ended, and their functional expenses for the year ended September 30, 2008, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 26, 2009 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* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the combined basic 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 basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the combined basic financial statements taken as a whole.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
January 26, 2009

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

Combined Balance Sheets

September 30, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents (note 5)	\$ 255,805	208,877
Accounts receivable:		
Grants and funding sources	93,567	78,335
Medwaiver and private pay, net of allowance for doubtful accounts of \$6,300 and \$73,300 in 2008 and 2007, respectively	258,663	394,200
Commercial, net of allowance for doubtful accounts of \$500 and \$18,000 in 2008 and 2007, respectively	351,836	212,905
Other	53,117	97,063
Contributions receivable (note 4)	109,675	46,500
Inventories	212,095	170,851
Prepaid expenses and other current assets	121,551	99,089
	<hr/>	<hr/>
Total current assets	1,456,309	1,307,820
Investments (note 2)	3,919,453	5,082,339
Real estate investment	250,000	250,000
Property and equipment, net (notes 3, 7 and 8)	4,474,229	4,659,562
Other assets	41,531	41,531
	<hr/>	<hr/>
	\$ <u>10,141,522</u>	<u>11,341,252</u>

See accompanying notes to combined financial statements.

<u>Liabilities and Net Assets</u>	<u>2008</u>	<u>2007</u>
Current liabilities:		
Short-term notes payable (note 6)	\$ 100,000	100,000
Current installments of capital lease obligations (note 8)	28,703	22,614
Accounts payable and accrued expenses	769,357	762,834
Deferred revenue	<u>27,372</u>	<u>70,002</u>
Total current liabilities	925,432	955,450
Deposit liability (note 3)	2,345,634	2,438,428
Capital lease obligations, less current installments (note 8)	15,680	32,906
Long-term debt, excluding current installments (note 7)	<u>13,119</u>	<u>13,119</u>
Total liabilities	<u>3,299,865</u>	<u>3,439,903</u>
Net assets:		
Unrestricted-		
Undesignated	498,660	266,018
Designated for long-term purposes	1,823,819	2,893,911
Net investment in property and equipment	<u>2,039,963</u>	<u>2,213,548</u>
	4,362,442	5,373,477
Temporarily restricted (note 10)	<u>2,479,215</u>	<u>2,527,872</u>
Total net assets	6,841,657	7,901,349
Commitments and contingencies (notes 7, 8 and 11)	<u> </u>	<u> </u>
	<u>\$ 10,141,522</u>	<u>11,341,252</u>

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

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

Years ended September 30, 2008 and 2007

	2008	2007
Operating Support and Revenue (note 5):		
<i>Support:</i>		
Special events revenue	\$ 157,587	113,282
Less special event costs	(92,219)	(49,099)
Net revenue from special events	65,368	64,183
Contributions	221,420	257,061
United Way allocation	145,875	121,750
	432,663	442,994
<i>Revenue:</i>		
Product sales	1,667,668	595,482
Cost of product sales	(740,969)	(236,055)
Net product sales	926,699	359,427
Medwaiver and private pay	3,506,998	3,635,450
Funding contracts	642,428	705,871
Rental income	113,034	114,866
Investment return designated for current operations (note 2)	468,000	440,000
Other revenue	8,119	12,296
	5,665,278	5,267,910
<i>Net assets released from restrictions:</i>		
Expiration of time restrictions - United Way	46,500	37,625
Satisfaction of use restrictions	129,340	210,176
	175,840	247,801
Total operating support and revenue	6,273,781	5,958,705
Operating Expenses:		
<i>Program services</i>	5,191,388	4,971,714
<i>Supporting services:</i>		
Management and general	807,308	876,376
Development	116,710	182,423
	924,018	1,058,799
Total operating expenses	6,115,406	6,030,513
Increase (decrease) in unrestricted net assets from operations	158,375	(71,808)
Other Changes:		
Investment return in excess of (deficient to cover) amounts designated for current operations (note 2)	(1,169,410)	206,436
Increase (decrease) in unrestricted net assets	\$ (1,011,035)	134,628

See accompanying notes to combined financial statements.

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

Combined Statements of Changes in Net Assets

Years ended September 30, 2008 and 2007

	2008	2007
Unrestricted net assets:		
Unrestricted operating support and revenue	\$ 6,097,941	5,710,904
Unrestricted operating expenses	(6,115,406)	(6,030,513)
Investment return in excess of (deficient to cover) amounts designated for current operations	(1,169,410)	206,436
Net assets released from restrictions	175,840	247,801
Increase (decrease) in unrestricted net assets	(1,011,035)	134,628
Temporarily restricted net assets:		
Contributions	74,308	144,275
United Way support	52,875	46,500
Net assets released from restrictions	(175,840)	(247,801)
Decrease in temporarily restricted net assets	(48,657)	(57,026)
Increase (decrease) in net assets	(1,059,692)	77,602
Net assets, at beginning of year	7,901,349	7,823,747
Net assets, at end of year	\$ 6,841,657	7,901,349

See accompanying notes to combined financial statements.

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

Combined Statement of Functional Expenses

Year ended September 30, 2008
(With comparative totals for 2007)

	<i>Program Services</i>				
	Adult Day Training	Supported Living	Supported Employment	Transportation	Total
Leased employees	\$ 1,702,043	1,633,030	435,425	140,071	3,910,569
Professional fees	73,426	69,874	19,304	9,466	172,070
Contract labor	56,879	-	-	-	56,879
Occupancy	238,813	18,574	12,678	-	270,065
Insurance	125,075	10,368	7,077	8,229	150,749
Equipment	9,306	474	131	51	9,962
Travel and transportation	20,941	30,980	21,688	104,857	178,466
Program supplies	5,948	-	-	-	5,948
Shipping costs	15,569	-	-	-	15,569
Communications	22,261	17,278	4,917	1,859	46,315
Office expense	42,998	13,342	4,672	647	61,659
Interest	-	-	-	-	-
Other	49,152	7,979	2,068	605	59,804
	2,362,411	1,801,899	507,960	265,785	4,938,055
Total expenses before depreciation					
Depreciation	210,189	17,424	11,892	13,828	253,333
	\$ 2,572,600	1,819,323	519,852	279,613	5,191,388

See accompanying notes to combined financial statements.

<i>Supporting Services</i>			<i>Total Expenses</i>	
Management and General	Development	Total	2008	2007
582,590	90,196	672,786	4,583,355	4,383,438
67,517	13,200	80,717	252,787	288,391
15,725	-	15,725	72,604	64,934
21,818	2,948	24,766	294,831	297,677
12,178	1,646	13,824	164,573	163,098
8,918	-	8,918	18,880	20,485
12,129	-	12,129	190,595	198,883
-	-	-	5,948	22,941
-	-	-	15,569	25,780
10,020	-	10,020	56,335	66,906
15,752	1,192	16,944	78,603	82,928
10,645	-	10,645	10,645	12,522
29,551	4,762	34,313	94,117	69,726
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
786,843	113,944	900,787	5,838,842	5,697,709
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
20,465	2,766	23,231	276,564	332,804
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
807,308	116,710	924,018	6,115,406	6,030,513
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Combined Statements of Cash Flows

Years ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,059,692)	77,602
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	276,564	332,804
Donated stock	-	(102,875)
Unrealized and realized (gains) losses on investments	763,494	(568,342)
Changes in assets and liabilities:		
Increase in accounts receivable	(37,855)	(141,794)
Increase in inventories	(41,244)	(62,339)
Increase in prepaid expenses and other assets	(22,462)	(12,983)
Increase in accounts payable and accrued expenses	6,523	178,298
Decrease in deferred revenue	(42,630)	(16,800)
	<u>(157,302)</u>	<u>(316,429)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Property and equipment purchases	(76,168)	(118,846)
Purchases of investments	(1,069,520)	(1,456,161)
Proceeds from the sale of investments	1,468,912	1,816,911
	<u>323,224</u>	<u>241,904</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Decrease in deposit liability	(92,794)	(90,974)
Net borrowings under short-term notes payable	-	100,000
Principal payments on capital lease obligations	(26,200)	(25,791)
Principal payments on long-term debt	-	(1,772)
	<u>(118,994)</u>	<u>(18,537)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and cash equivalents	46,928	(93,062)
Cash and cash equivalents, beginning of year	<u>208,877</u>	<u>301,939</u>
Cash and cash equivalents, end of year	<u>\$ 255,805</u>	<u>208,877</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 10,645	12,522
Equipment financed with a capital lease obligation	\$ 15,063	-

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements

September 30, 2008 and 2007

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

(a) Description of Organization

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

(b) Principles of Combination

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

(c) Financial Statement Presentation

The Organization's combined financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended September 30, 2007, from which the summarized information was derived.

(d) Contributions

The Organization accounts for contributions pursuant to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(Continued)

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

Notes to Combined Financial Statements

(e) **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.

(f) **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. Approximately 74% of commercial receivables are from Respect of Florida.

(g) **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 balance sheet. Unrealized gains and losses are included in the change in net assets in the accompanying combined financial statements. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

(h) **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 \$500 are capitalized. The estimated useful lives of related asset classes are as follows:

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

(i) **Inventories**

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

(Continued)

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

Notes to Combined Financial Statements

(j) 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. Management is not aware of any activities that would jeopardize the Organization's tax exempt status.

(k) 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.

(2) Investments

At September 30, 2008 and 2007, the cost and market value of investments were as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market funds	\$ 417,530	417,530	272,027	272,027
Certificates of deposit	200,000	199,383	155,000	154,919
Fixed income	215,828	219,384	445,656	447,814
Common stocks	2,795,476	2,752,451	3,114,765	3,747,030
Mutual funds	361,677	330,705	408,326	460,549
	<u>\$ 3,990,511</u>	<u>3,919,453</u>	<u>4,395,774</u>	<u>5,082,339</u>

At September 30, 2008 and 2007, the Organization's investments in common stocks and fixed income securities are not concentrated in a single entity or in a few entities nor are there any specific industry concentrations.

The Boards of Directors designate only a portion of the Organization's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The fixed amount determined by the Boards of Directors and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

(Continued)

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

Notes to Combined Financial Statements

The fixed amount determined by the Boards of Directors at the beginning of each fiscal year as part of the Organization's budgeting process considers the Organization's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments and general economic conditions.

The following schedule summarizes investment return for the years ended September 30, 2008 and 2007:

	2008	2007
Interest and dividends	\$ 109,514	125,059
Net realized and unrealized gains (losses)	(763,494)	568,342
Investment management fees	(47,430)	(46,965)
Total investment return	(701,410)	646,436
Investment return designated for current operations	(468,000)	(440,000)
Investment return in excess of (deficient to cover) amounts designated for current operations	\$ (1,169,410)	206,436

(3) Property and Equipment

Property and equipment at September 30, 2008 and 2007 consists of the following:

	2008	2007
Land	\$ 1,701,091	1,701,091
Buildings and improvements	4,511,897	4,466,250
Furniture and equipment	546,235	527,675
Computers and software	246,042	236,797
Transportation equipment	601,783	584,004
	7,607,048	7,515,817
Less accumulated depreciation and amortization	3,132,819	2,856,255
	\$ 4,474,229	4,659,562

Depreciation expense for the years ended September 30, 2008 and 2007 was \$276,564 and \$332,804, respectively.

(Continued)

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

Notes to Combined Financial Statements

In 2006, the Organization sold eleven of its residential facilities for \$2,632,000 and entered into a five-year lease for a portion of each facility with the buyer. Under the terms of the sale-leaseback agreement, the Organization is required to guarantee all rent payments due from the other tenants occupying each facility which total \$8,052 per month during the lease term. The Organization has also guaranteed rent due on all facilities for a period of up to six months after the homes have been vacated upon termination of the lease. The Organization is required to reimburse the buyer for increases in property taxes and/or property insurance which exceed 10% in any one year. Lastly, the Organization is required to pay all of the closing costs of the buyer upon resale of the homes. Because the terms of the sale-leaseback agreement require continuing involvement by the Organization, the net proceeds received from the sale have been accounted for as a deposit liability in the accompanying combined balance sheets as of September 30, 2008 and 2007. The Organization's lease commitment under the terms of the sale-leaseback agreement is more fully described in Note 7.

(4) **Contributions Receivable**

Contributions receivable at September 30, 2008 consisted of United Way allocations and a grant from the State of Florida Department of Transportation which are expected to be collected within one year. Contributions receivable at September 30, 2007 consisted of United Way and Community Foundation allocations which were expected to be collected within one year.

(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 67% and 70% of total operating support and revenue for the years ended September 30, 2008 and 2007, respectively.

The Organization has entered into two repurchase agreements with a commercial bank for the purpose of investing excess cash balances on a short-term basis. The balance invested in the repurchase agreements of approximately \$337,000 and \$71,000 at September 30, 2008 and 2007, respectively, was not covered by Federal deposit insurance. However, the bank has pledged certain securities as collateral under the agreement. The Organization has no financial instruments which subject it to off-balance-sheet risk.

(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 Wall Street Journal prime rate (5% at September 30, 2008). At September 30, 2008 and 2007 the outstanding balance on the lines of credit was \$100,000.

(Continued)

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

Notes to Combined Financial Statements

(7) Long-Term Debt

Long-term debt at September 30, 2008 and 2007 consists of the following:

	2008	2007
Non-interest bearing rehabilitation loans from Hillsborough County, payment of principal is deferred until sale of the property; secured by real estate.	\$ <u>13,119</u>	<u>13,119</u>
Total long-term debt	13,119	13,119
Less current installments	-	-
Long-term debt, excluding current installments	\$ <u>13,119</u>	<u>13,119</u>

The Organization has no plans to sell the property acquired with the proceeds of the rehabilitation loan from Hillsborough County, therefore, the loan has been classified as a noncurrent liability in the accompanying combined balance sheet as of September 30, 2008.

(8) Leases

The Organization is obligated under two capital leases for certain office equipment that expire at various dates over the next three years. At September 30, 2008, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$97,199 and \$16,042, respectively. At September 30, 2007, the gross amount of equipment and the related accumulated amortization recorded under the capital leases was \$82,136 and \$54,617, respectively. Amortization of the assets held under capital leases is included in depreciation expense.

As described in Note 3, the Organization also leases a portion of eleven residential facilities under a sale-leaseback agreement which is considered to be a noncancellable operating lease. The operating lease has a five year lease term with two five-year renewal options. Rent paid under the lease for fiscal years 2008 and 2007 was \$92,794 and \$90,974, respectively and was recorded as a reduction of the related deposit liability. At September 30, 2008 and 2007, the gross amount of assets held under the sale-leaseback agreement was \$1,529,268 and the related accumulated depreciation was \$514,213 and \$462,413, respectively.

(Continued)

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

Notes to Combined Financial Statements

Future minimum lease payments under the noncancellable operating lease and the present value of future minimum capital lease payments as of September 30, 2008 are as follows:

	Capital Leases	Operating Lease	Total
<u>Year ending September 30:</u>			
2009	30,910	94,662	125,572
2010	12,650	96,555	109,205
2011	3,864	81,799	85,663
Total minimum lease payments	47,424	273,016	320,440
Less amount representing interest	3,041		
Present value of minimum capital lease payments	44,383		
Current installments of capital lease obligations	28,703		
Capital lease obligations, less current installments	\$ 15,680		

(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. The plan requires matching contributions in the amount of 3% of each participant's gross wages, which are paid to the plan in monthly installments. Retirement plan expense was \$147,685 and \$155,567 for the years ended September 30, 2008 and 2007, respectively.

(Continued)

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

Notes to Combined Financial Statements

(10) Temporary Restrictions on Net Assets

Temporary restrictions on net assets as of September 30, 2008 and 2007 relate to the following:

	<u>2008</u>	<u>2007</u>
Robert Chase Memorial Fund	\$ 23,080	18,380
United Way allocation	52,875	46,500
Lien on contributed vehicles	38,040	39,646
Reverter interest held on property	2,281,924	2,337,729
Grant restricted for acquisition of a bus	56,800	-
Staff training	13,688	32,749
Health and wellness	12,808	-
Fine arts studio	-	17,236
Microsoft grant restricted for computer lab	-	25,632
Job Club grant	-	10,000
	<u>\$ 2,479,215</u>	<u>2,527,872</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. Accordingly, the Organization has recognized 90% of the net book value of the property as temporarily restricted net assets totaling \$2,281,924 and \$2,337,729 as of September 30, 2008 and 2007, respectively. For the years ended September 30, 2008 and 2007, the Organization recorded a release of restriction equal to depreciation expense on the property totaling \$55,805 and \$95,313, respectively.

Effective October 16, 2008, 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, 2008, 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. Payment under both of these mortgages is payable only upon the sale of the property or if the property is no longer used to provide services to persons with disabilities.

(Continued)

MACDONALD TRAINING CENTER, INC.
AND AFFILIATES

Notes to Combined Financial Statements

(11) 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.

SUPPLEMENTARY FINANCIAL INFORMATION

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

Combining Balance Sheet

September 30, 2008

<u>Assets</u>	<u>MacDonald Training Center, Inc.</u>	<u>MacDonald Training Center Properties, Inc.</u>	<u>MacDonald Training Center Foundation, Inc.</u>	<u>Eliminations</u>	<u>Combined Totals</u>
Current assets:					
Cash and cash equivalents	\$ 50,795	8,996	196,014	-	255,805
Accounts receivable:					
Grants and funding sources	93,567	-	-	-	93,567
Medwaiver and private insurance, net	258,663	-	-	-	258,663
Commercial, net	351,836	-	-	-	351,836
Other	6,568	42,621	3,928	-	53,117
Intercompany	-	-	273,802	(273,802)	-
Contributions receivable	109,675	-	-	-	109,675
Inventories	212,095	-	-	-	212,095
Prepaid expenses and other current assets	115,351	6,200	-	-	121,551
Total current assets	1,198,550	57,817	473,744	(273,802)	1,456,309
Investments	-	-	3,919,453	-	3,919,453
Real estate investment	-	250,000	-	-	250,000
Property and equipment, net	162,425	4,311,804	-	-	4,474,229
Other assets	-	16,343	25,188	-	41,531
	<u>\$ 1,360,975</u>	<u>4,635,964</u>	<u>4,418,385</u>	<u>(273,802)</u>	<u>10,141,522</u>
Liabilities and Net Assets					
Current liabilities:					
Short-term notes payable	\$ 100,000	-	-	-	100,000
Current installments of capital lease obligations	28,703	-	-	-	28,703
Accounts payable and accrued expenses	749,323	17,364	2,670	-	769,357
Intercompany payables	95,777	178,025	-	(273,802)	-
Deferred revenue	-	27,372	-	-	27,372
Total current liabilities	973,803	222,761	2,670	(273,802)	925,432
Long-term liability	-	2,345,634	-	-	2,345,634
Capital lease obligations, less current installments	15,680	-	-	-	15,680
Long-term debt, excluding current installments	-	13,119	-	-	13,119
Total liabilities	989,483	2,581,514	2,670	(273,802)	3,299,865
Net assets	<u>371,492</u>	<u>2,054,450</u>	<u>4,415,715</u>	<u>-</u>	<u>6,841,657</u>
	<u>\$ 1,360,975</u>	<u>4,635,964</u>	<u>4,418,385</u>	<u>(273,802)</u>	<u>10,141,522</u>

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

Combining Statement of Changes in Net Assets

Year ended September 30, 2008

	MacDonald Training Center, Inc.	MacDonald Training Center Properties, Inc.	MacDonald Training Center Foundation, Inc.	Eliminations	Combined Totals
Support and revenues:					
<i>Support:</i>					
Special events revenue	\$ 157,587	-	-	-	157,587
Less: special events costs	(92,219)	-	-	-	(92,219)
Net revenue from special events	65,368	-	-	-	65,368
Contributions	270,535	-	25,193	-	295,728
United Way allocation	198,750	-	-	-	198,750
	<u>534,653</u>	<u>-</u>	<u>25,193</u>	<u>-</u>	<u>559,846</u>
<i>Revenue:</i>					
Product sales	1,667,668	-	-	-	1,667,668
Cost of product sales	(740,969)	-	-	-	(740,969)
Net product sales	926,699	-	-	-	926,699
Medwaiver and private pay	3,506,998	-	-	-	3,506,998
Funding contracts	642,428	-	-	-	642,428
Rental income	-	113,034	-	-	113,034
Investment return designated for current operations	-	-	468,000	-	468,000
Other revenue	7,111	-	1,008	-	8,119
Intercompany revenue	471,206	412,798	12,327	(896,331)	-
	<u>5,554,442</u>	<u>525,832</u>	<u>481,335</u>	<u>(896,331)</u>	<u>5,665,278</u>
Total support and revenue	<u>6,089,095</u>	<u>525,832</u>	<u>506,528</u>	<u>(896,331)</u>	<u>6,225,124</u>
Expenses:					
Program services	4,962,555	592,915	-	(364,082)	5,191,388
Supporting services	888,651	75,096	492,520	(532,249)	924,018
Total expenses	<u>5,851,206</u>	<u>668,011</u>	<u>492,520</u>	<u>(896,331)</u>	<u>6,115,406</u>
Increase (decrease) in net assets before other changes	237,889	(142,179)	14,008	-	109,718
Other Changes:					
Investment return in excess of (deficient to cover) amounts designated for current operations	-	-	(1,169,410)	-	(1,169,410)
Increase (decrease) in net assets	237,889	(142,179)	(1,155,402)	-	(1,059,692)
Net assets at beginning of year	<u>133,603</u>	<u>2,196,629</u>	<u>5,571,117</u>	<u>-</u>	<u>7,901,349</u>
Net assets at end of year	<u>\$ 371,492</u>	<u>2,054,450</u>	<u>4,415,715</u>	<u>-</u>	<u>6,841,657</u>

INTERNAL CONTROL AND COMPLIANCE

ers:
as R. Birch, CPA*
A. Gilman, CPA*
lsler, CPA*
el D. Kindt, CPA*, CFP®
el E. Lewis, CPA*/ABV/CFE, CVA
McDonald, CPA*
Mills, CPA*/ABV/CFE, CVA
ny S. Phillips, CPA*/ABV/CFE
d M. Ricardo, CPA*



CLEARWATER
1401 Court Street
Clearwater, Florida 33756
(727) 446-3058 • FAX (727) 441-1499

TAMPA
1530 W. Cleveland Street
Tampa, Florida 33606
(813) 594-1400 • FAX (813) 594-1408

SARASOTA
1990 Main Street, Suite 750
Sarasota, Florida 34236
(941) 373-0555 • FAX (941) 309-5149

www.lbrllc.com

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 the combined financial statements of MacDonald Training Center, Inc. and Affiliates as of and for the year ended September 30, 2008, and have issued our report thereon dated January 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MacDonald Training Center, Inc. and Affiliates' internal control over financial reporting in order to determine our auditing procedures 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 internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's combined financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of MacDonald Training Center, Inc. & Affiliates in a separate letter dated January 26, 2009.

MacDonald Training Center, Inc. and Affiliates' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit MacDonald Training Center, Inc. and Affiliates' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Performance Committee, management, Board of Directors, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Birch & Ricardo, LLC

Clearwater, Florida
January 26, 2009

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

Schedule of Findings and Responses

Year ended September 30, 2008

(A) Findings - Audit of Financial Statements

Item 2008-01 Account Reconciliations

Condition: Certain year-end account reconciliations were prepared incorrectly and were not reviewed in a timely manner.

Criteria: Internal controls should be in place that provide reasonable assurance that the month-end and year-end reconciliations of general ledger balance sheet accounts agree with supporting documentation and are reviewed in a timely manner.

Effect: Internal financial statements were misstated as a result of these accounting errors.

Recommendation: A more senior member of the accounting department should review and approve all general ledger balance sheet account reconciliations on a monthly basis and agree month-end general ledger balances to each reconciliation to ensure internal financial statements are prepared in accordance with generally accepted accounting principles.

(B) Responses

A senior member of the accounting department is training our new staff to improve the accuracy of general ledger balance sheet account reconciliations and is reviewing all account reconciliations on a monthly basis.