

PINE CASTLE, INC.
(A Nonprofit Corporation)

FINANCIAL STATEMENTS

Year ended September 30, 2018
With Summarized Financial Information
for the Year Ended September 30, 2017

PINE CASTLE, INC.

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THE FORDE FIRM, LLC
5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@fordefirm.com

Linda R. Forde, C.P.A.
M. Todd Middlemas, C.P.A., M.B.A.
Margaret R. Dodson, C.P.A.
Barbara L. Towle, C.P.A.
Christina E. Gibson, C.P.A.
Megan McAtee, C.P.A., M.Acc.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pine Castle, Inc.
Jacksonville, Florida

We have audited the accompanying financial statements of Pine Castle, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pine Castle, Inc. as of September 30, 2018, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2019, on our consideration of Pine Castle, Inc.'s internal control over financial reporting and on our tests of its 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 Pine Castle, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Pine Castle, Inc.'s 2017 financial statements, and our report dated January 26, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Forde Firm, LLC

The Forde Firm, LLC
Jacksonville, Florida
January 14, 2019

PINE CASTLE, INC.

STATEMENT OF FINANCIAL POSITION
 For the Year Ended September 30, 2018
 With Summarized Financial Information
For The Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>For Comparative Purposes Only - 2017</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents (Notes 2 and 3)	\$ 327,276	\$ 116,640	\$ -	\$ 443,916	\$ 379,100
Pledges receivable, net (Note 6)	86,748	-	-	86,748	96,306
Accounts receivable:					
Open contracts	154,080	-	-	154,080	216,035
Medicaid	357,845	-	-	357,845	312,846
Inventories	166,691	-	-	166,691	183,888
Prepaid expenses and other assets	124,191	-	-	124,191	163,096
Total Current Assets	1,216,831	116,640	-	1,333,471	1,351,271
PROPERTY AND EQUIPMENT (Note 4)					
Land	295,897	-	-	295,897	295,897
Buildings and improvements	7,006,942	-	-	7,006,942	6,940,798
Vehicles	249,971	-	-	249,971	226,875
Furniture and equipment	598,612	-	-	598,612	495,977
	8,151,422	-	-	8,151,422	7,959,547
Less: Accumulated depreciation	3,730,591	-	-	3,730,591	3,528,634
Net Property and Equipment	4,420,831	-	-	4,420,831	4,430,913
OTHER ASSETS					
Pledges receivable, net (Note 6)	64,784	-	-	64,784	28,965
Investments (Note 5)	1,151,870	-	646,155	1,798,025	1,777,775
Investments held by others (Note 2, 5 and 10)	-	-	169,672	169,672	160,311
Total Other Assets	1,216,654	-	815,827	2,032,481	1,967,051
TOTAL ASSETS	\$ 6,854,316	\$ 116,640	\$ 815,827	\$ 7,786,783	\$ 7,749,235
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 195,296	\$ -	\$ -	\$ 195,296	\$ 155,198
Accrued expenses	317,197	-	-	317,197	365,219
Line of credit (Note 8)	-	-	-	-	-
Notes payable - current (Note 7)	120,313	-	-	120,313	116,413
Total Current Liabilities	632,806	-	-	632,806	636,830
LONG TERM LIABILITIES					
Notes payable (Note 7)	1,219,237	-	-	1,219,237	1,339,077
TOTAL LIABILITIES	1,852,043	-	-	1,852,043	1,975,907
NET ASSETS					
Unrestricted	4,026,515	-	-	4,026,515	3,954,203
Board designated (Note 15)	975,758	-	-	975,758	975,758
Temporarily restricted (Note 9)	-	116,640	-	116,640	36,901
Permanently restricted (Note 10)	-	-	815,827	815,827	806,466
Total Net Assets	5,002,273	116,640	815,827	5,934,740	5,773,328
TOTAL LIABILITIES AND NET ASSETS	\$ 6,854,316	\$ 116,640	\$ 815,827	\$ 7,786,783	\$ 7,749,235

See Notes to Financial Statements.

PINE CASTLE, INC.

STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2018
With Summarized Financial Information
For The Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	For Comparative Purposes Only - 2017
REVENUE AND PUBLIC SUPPORT					
Revenue					
State of Florida - Medicaid	\$ 3,389,622	\$ -	\$ -	\$ 3,389,622	\$ 3,176,249
State of Florida - Other	112,053	-	-	112,053	141,134
Workshop income	1,453,358	-	-	1,453,358	1,564,786
Program fees	442,097	-	-	442,097	420,363
Gain on sale of property and equipment	-	-	-	-	3,000
Other	66,972	-	-	66,972	28,281
Total Revenue	5,464,102	-	-	5,464,102	5,333,813
Public Support					
City of Jacksonville	52,172	-	-	52,172	181,514
United Way	107,484	-	-	107,484	140,971
Contributions	56,330	331,511	-	387,841	308,896
Fundraisers, net of direct expenses of \$32,293. and \$35,920 for 2018 and 2017, respectively	140,312	-	-	140,312	60,310
In-kind contributions (Note 11)	36,643	-	-	36,643	47,808
Total Public Support	392,941	331,511	-	724,452	739,499
Net Assets Released from Restrictions	251,772	(251,772)	-	-	-
Total Net Assets Released from Restrictions	251,772	(251,772)	-	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	6,108,815	79,739	-	6,188,554	6,073,312
EXPENSES					
Adult Day Training	3,290,164	-	-	3,290,164	3,225,193
Group Homes	1,523,824	-	-	1,523,824	1,466,733
Independent Living	67,931	-	-	67,931	55,561
Supported Employment	226,915	-	-	226,915	194,684
TOTAL PROGRAM SERVICES	5,108,834	-	-	5,108,834	4,942,171
Management and general	734,604	-	-	734,604	766,746
Development and fund raising	304,151	-	-	304,151	297,828
TOTAL SUPPORTING SERVICES	1,038,755	-	-	1,038,755	1,064,574
TOTAL EXPENSES	6,147,589	-	-	6,147,589	6,006,745
CHANGE IN NET ASSETS BEFORE INVESTMENT GAINS (LOSSES)	(38,774)	79,739	-	40,965	66,567
INVESTMENT INCOME (Note 5)					
Interest and dividend income	29,688	-	-	29,688	29,380
Realized and unrealized gains (losses)	81,398	-	9,361	90,759	155,206
	111,086	-	9,361	120,447	184,586
CHANGE IN NET ASSETS	72,312	79,739	9,361	161,412	251,153
NET ASSETS, BEGINNING OF YEAR	4,929,961	36,901	806,466	5,773,328	5,522,175
NET ASSETS, END OF YEAR	\$ 5,002,273	\$ 116,640	\$ 815,827	\$ 5,934,740	\$ 5,773,328

See Notes to Financial Statements.

PINE CASTLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 Year Ended September 30, 2018
 With Summarized Financial Information
 For The Year Ended September 30, 2017

	Program Services					Supporting Services			Total Expenses 2018	For Comparative Purposes 2017
	Adult Day Training	Group Homes	Independent Living	Supported Employment	Total	Management and General	Development and Fund Raising	Total		
Compensation	\$ 1,494,402	\$ 948,145	\$ 47,349	\$ 165,530	\$ 2,655,426	\$ 472,484	\$ 198,759	\$ 671,243	\$ 3,326,669	\$ 3,154,938
Payroll taxes and employee benefits	391,061	263,033	12,371	43,761	710,226	94,307	33,415	127,722	837,948	784,196
Total employee costs	1,885,463	1,211,178	59,720	209,291	3,365,652	566,791	232,174	798,965	4,164,617	3,939,134
Supplies and program materials	780,334	26,950	391	873	808,548	13,227	1,373	14,600	823,148	906,402
Client support costs	47,876	51,090	-	-	98,966	-	-	-	98,966	60,584
Printing supplies and forms	2,686	183	2	54	2,925	4,136	10,918	15,054	17,979	7,611
Vehicle costs and maintenance	4,349	13,305	5	4	17,663	4,559	3	4,562	22,225	20,600
Equipment - minor purchases, rental and maintenance	19,669	5,147	54	836	25,706	32,222	1,250	33,472	59,178	43,137
Building and occupancy	25,224	17,193	2,518	296	45,231	8,851	349	9,200	54,431	71,271
Janitorial	44,285	-	-	802	45,087	1,514	731	2,245	47,332	42,184
Professional and consulting fees	38,979	2,507	47	217	41,750	29,683	33,016	62,699	104,449	103,357
Staff training and travel	7,159	3,392	387	12,104	23,042	3,020	9,567	12,587	35,629	61,994
Food	9,561	60,379	29	18	69,987	3,875	109	3,984	73,971	79,916
Telephone	4,688	3,560	49	84	8,381	460	77	537	8,918	9,141
Utilities	104,566	39,675	144	1,740	146,125	9,466	1,587	11,053	157,178	179,061
Insurance	34,496	32,891	827	588	68,802	11,589	537	12,126	80,928	105,765
Dues & memberships	1,470	97	2,805	-	4,372	16,247	1,131	17,378	21,750	19,064
Postage, shipping and freight	52,067	19	-	-	52,086	3,548	998	4,546	56,632	61,283
Interest expense	46,949	-	-	-	46,949	-	-	-	46,949	52,216
Other expenses	16,249	5,611	301	-	22,161	8,387	8,431	16,818	38,979	62,921
TOTAL BEFORE DEPRECIATION	3,126,070	1,473,177	67,279	226,907	4,893,433	717,575	302,251	1,019,826	5,913,259	5,825,641
Depreciation expense	164,094	50,647	652	8	215,401	17,029	439	17,468	232,869	183,963
SUBTOTAL	3,290,164	1,523,824	67,931	226,915	5,108,834	734,604	302,690	1,037,294	6,146,128	6,009,604
Pledge discounts and allowances	-	-	-	-	-	-	1,461	1,461	1,461	(2,859)
TOTAL FUNCTIONAL EXPENSES	\$ 3,290,164	\$ 1,523,824	\$ 67,931	\$ 226,915	\$ 5,108,834	\$ 734,604	\$ 304,151	\$ 1,038,755	\$ 6,147,589	\$ 6,006,745

See Notes to Financial Statements.

PINE CASTLE, INC.

STATEMENT OF CASH FLOWS
 Year Ended September 30, 2018
 With Summarized Financial Information
For The Year Ended September 30, 2017

	Total 2018	For Comparative Purposes Only - 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 161,412	\$ 251,153
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	232,869	183,963
Pledge commitments	(94,910)	-
Provision for pledge discount and allowance	23,771	(29,559)
Unrealized (gain) loss on investments	(90,759)	(55,994)
(Increase) decrease in operating assets:		
Accounts receivable	92,276	5,581
Inventories	17,197	(48,097)
Prepays	38,905	14,191
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(7,924)	102,271
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>372,837</u>	<u>423,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(221,769)	(157,729)
Reinvestment of interest and dividends	29,688	29,179
NET CASH USED BY INVESTING ACTIVITIES	<u>(192,081)</u>	<u>(128,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(115,940)	(118,700)
NET CASH USED BY FINANCING ACTIVITIES	<u>(115,940)</u>	<u>(118,700)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	64,816	176,259
BEGINNING CASH AND CASH EQUIVALENTS	<u>379,100</u>	<u>202,841</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 443,916</u>	<u>\$ 379,100</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 46,949</u>	<u>\$ 52,216</u>

See Notes to Financial Statements.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

1. NATURE OF ORGANIZATION:

Pine Castle, Inc. (the "Organization") is a nonprofit corporation located in Jacksonville, Florida, and has served the needs of people with disabilities since 1952. Pine Castle, Inc.'s mission is to promote the general welfare of intellectually and developmentally disabled adults and to provide employment, housing, job skills training, social programs, life skills training and athletics for persons with intellectual disabilities. The Organization's support comes primarily from the State of Florida, sales of items and services from its workshops, and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with FASB ASC 958, the Organization reports 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.

Unrestricted Net Assets - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Use of Estimates in the Preparation of Financial Statements

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and certificates of deposit with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on management's best estimate of probable losses using the accounts receivable aging method. Accounts receivable are charged off against the allowance in the period in which they are determined to be uncollectible or it is determined probable the receivable will not be recovered. As described in Note 6, an allowance for doubtful accounts has been established for pledges receivable.

Property, Plant and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at historical cost or estimated historical cost if actual historical cost is not available. Depreciation is computed using the straight line method over the estimated useful lives of furniture and equipment (ranging from 2 to 50 years).

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Inventory

Inventory is valued at the lower of cost or market as determined by the first-in/first-out (FIFO) basis. Major classes of inventory include materials for assembly and finished goods in the woodshop (\$5,485), mop shop (\$106,271), drug and alcohol testing devices (\$47,483), and luminary products (\$24,649).

Investments

Investments consist of certificates of deposit, corporate and government bonds, and mutual funds carried at fair market value. Donated investments are initially recorded at their market value at the time of the donation.

Investments Held by Others

The financial statements are presented in accordance with FASB ASC 958-605, *Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This requires that endowment funds transferred to a community foundation by a not-for-profit organization, where the organization will be the beneficiary of that fund, referred to as agency endowments, be accounted for by the community foundation as a liability. The not-for-profit presents the endowment as an asset.

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958-10, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with administrative and fund raising functions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Reclassifications

Certain accounts in the prior year financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization occasionally leases its facilities, which provides income that may be subject to unrelated business income tax if the income exceeds related expenses. The Organization is not a private foundation. Management evaluated the Organization's tax positions and concluded that the Organization had maintained its exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. No provision or liability for income taxes has been included in the financial statements. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, and Forms 990-T, *Exempt Organization Business Income Tax Return*, are subject to examination by the IRS, generally for 3 years after they were filed.

Fair values of Financial Instruments

Generally accepted accounting principles require certain financial instruments to be recorded at fair value. Changes in methods of estimation could affect the fair value estimates; however, such changes are not expected to have a material impact on the organization's financial position, activities or cash flows. Cost approximates fair value for certain other investments, short-term debt, and cash equivalents.

Grant and Contract Revenue and Support

The Organization receives funding from government agencies. Any of the funding sources may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the grants/contracts. Government granting agencies may have a reversionary interest in any equipment purchased with funds provided by grants.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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3. CASH AND CASH EQUIVALENTS:

The cash balances reflected on the statement of financial position include amounts that are subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. For the year ended September 30, 2018, the restricted cash amount was \$116,640.

The organization is required to hold City of Jacksonville funds in a separate account.

4. PROPERTY AND EQUIPMENT:

As of September 30, 2018 property and equipment consists of:

Land	\$ 295,897
Buildings & improvements	6,659,651
Track & field improvements	347,291
Vehicles	249,971
Furniture & equipment	<u>598,612</u>
	8,151,422
Less accumulated depreciation	<u>(3,730,591)</u>
	<u>\$ 4,420,831</u>

5. FAIR VALUE MEASUREMENTS AND INVESTMENTS:

Investments in debt and equity securities that have readily determinable fair values are stated at fair value in the statement of financial position and increases and decreases in fair values are included in the statement of activities. FASB ASC 820, Fair Value Measurements provides a single definition of fair value and established a three-tier hierarchy, which prioritizes the input used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices in active markets within Level 1 that are either directly or indirectly observable.

Level 3 - Significant unobservable inputs for the asset or liability in which little or no market data exists.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

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5. FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued):

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

If available, quoted market prices are used to value investments. Equities are valued at the closing price reported on the major market on which the individual securities are traded. Mutual funds are valued at the net asset value of shares held. The net asset value is based on the value of the underlying assets owned by the mutual fund, minus its liabilities, and then divided by the number of shares outstanding. Assets held by the Community Foundation for Northeast Florida are stated at values determined by the community foundation.

	<u>Fair Value Measurements at September 30, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash alternatives & CD's	\$ 121,318	\$ -	\$ -	\$ 121,318
Bonds and bond funds	560,103	-	-	560,103
Equity mutual funds	1,149,283	-	-	1,149,306
Real asset fund	88,616	-	-	88,616
Investments held by others	<u>-</u>	<u>169,672</u>	<u>-</u>	<u>169,672</u>
Total	<u>\$1,919,320</u>	<u>\$169,672</u>	<u>\$ -</u>	<u>\$2,089,015</u>

Investments at cost and market consist of the following at September 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>
Money funds & CD's	\$ 121,318	\$ 121,318
Fixed income	585,766	560,103
Equity mutual funds	889,046	1,149,306
Real asset fund	90,697	88,616
Investments held by others	<u>169,672</u>	<u>169,672</u>
	<u>\$ 1,856,499</u>	<u>\$ 2,089,015</u>

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

5. FAIR VALUE MEASUREMENTS AND INVESTMENTS (continued):

Investment income is comprised of the following components:

Dividends and interest income	\$ 46,038
Fees	(16,350)
Realized and unrealized market gains	<u>90,759</u>
	<u>\$ 120,447</u>

6. PLEDGES RECEIVABLE:

Pledges for the *Inspirations* campaign were received during the year ending September 30, 2018. A discount rate of 5% is used. Pledges receivable and the related allowance for doubtful accounts at September 30, 2018 are summarized as follows:

Pledges receivable	<u>\$ 151,532</u>
Receivables due in less than one year	\$ 86,748
Receivables due in two to five years	80,283
Less discount to present value	(6,708)
Less allowance for uncollectible amounts	<u>(8,791)</u>
Net unconditional promises to give	<u>\$ 151,532</u>

7. NOTES PAYABLE:

In April 2013 the loan of \$2,130,389 on the Life Enrichment Center was refinanced at 3.30% with monthly principal and interest payments in the amount of \$13,659. This loan has a ten year maturity and a seventeen year amortization. Additional principal payments have brought the new loan balance to \$1,339,551 as of September 30, 2018. The organization's bank loan agreement includes financial covenants and as of September 30, 2018 the organization has met these loan covenants.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

7. NOTES PAYABLE (continued):

During the 2013/2014 year, the organization purchased two vehicles and entered into two loan agreements with no stated rate of interest, payable in 36 monthly installments of \$523.23 each. The balance of the vehicle loans payable was \$-0- as of September 30, 2018. Approximate future scheduled maturities of long term debt are as follows:

2019	\$ 120,313
2020	124,344
2021	128,510
2022	132,215
2023	137,256
Thereafter	<u>696,913</u>
	<u>\$ 1,339,551</u>

8. LINE OF CREDIT:

The Organization has available a \$99,000 secured revolving line of credit from TD Bank. Interest is set at the Wall Street Journal Prime Rate and is payable monthly. The loan is secured by a blanket lien on assets, and the agreement expires on May 31, 2019. There was no outstanding balance on the line of credit as of September 30, 2018. There was no interest during the current fiscal year on this loan. The organization's line of credit agreement includes financial covenants and as of September 30, 2018 the organization met these covenants.

9. TEMPORARILY RESTRICTED NET ASSETS:

At September 30, 2018 temporarily restricted net assets consisted of the following:

Tuition assistance	\$ 18,385
Capital improvements	35,044
Nursing program	55,992
Other minor projects	<u>7,219</u>
Total	<u>\$ 116,640</u>

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

10. ENDOWMENT FUNDS:

The Albert and Viola Kissling Endowment Fund, the Pine Castle Endowment Fund, and the Ralph and Elizabeth Mundell Endowment Fund I were created at the Community Foundation for Northeast Florida to ensure the perpetuation of residential services to developmentally disabled clients of the organization and to support general operations. The Community Foundation maintains variance power and legal ownership of these endowment funds, and accounts for the funds as agency endowments, recording a corresponding liability for the fair value of the funds. The Organization includes the endowment fund as permanently restricted assets. Net income from the endowment funds is paid and distributed to the Organization as determined by the Foundation and the Organization. Net income may be accumulated, reinvested, and subsequently paid to the Organization for the endowment fund purposes upon request of the Board of Directors of Pine Castle, Inc. The endowment funds totaled \$169,672 as of September 30, 2018.

During the fiscal year ending September 30, 2009 the Organization received funds as a remainder beneficiary to establish a second Ralph Paul Mundell and Elizabeth Marie Mundell Endowment Fund, the corpus of which is to remain intact and the income of which shall be used to support the charitable activities of Pine Castle, Inc. This investment totaled \$722,003 as of September 30, 2018 of which \$646,155 was the amount of the permanent endowment. The difference between the total value of the Mundell permanent endowment and the permanently restricted amount (\$75,848) is included in Unrestricted Investments and Unrestricted Net Assets.

Pine Castle follows the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA) in managing its endowments. The investment objectives of the Permanent Endowment Fund are to: (a) achieve returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of account assets while controlling risk, and (b) to emphasize long-term growth of principal while avoiding excessive risk. The spending policy allows up to 5.0% of a twelve quarter trailing average of fair market value.

The activity in the Mundell endowment fund is as follows:

Beginning balance, endowment funds	\$ 748,537
Interest and dividends	11,399
Unrealized loss	(32,282)
Amounts appropriated for expenditure	<u>(5,651)</u>
Ending balance, endowment funds	<u>\$ 722,003</u>

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

11. DONATIONS IN-KIND:

A substantial number of individuals and organizations have made significant contributions of time, expertise and materials during the current year to support and promote the Organization's programs. These donations have been recorded at their fair market value (approximately \$46,643 in 2018) as contributions and expenses in the statement of activities.

The Organization also receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with programs and services. No amounts have been recognized for these services in the accompanying statement of activities because the accounting criteria for recognition of such volunteer effort as contributed services has not been satisfied.

12. RETIREMENT PLAN:

The Organization sponsors a 403(b) defined contribution retirement plan covering substantially all of its employees. Under the plan, employees may contribute an amount not to exceed the limit imposed by the Internal Revenue Service. The Organization contributed elective contributions of 3% of each eligible employee's compensation to the plan for fiscal year ended September 30, 2018. The Organization's contributions under this plan totaled \$74,165 for the year ended September 30, 2018.

13. CONCENTRATIONS:

Revenue provided from one source accounted for approximately 57% of gross revenues and 70% of receivables for the year ended September 30, 2018.

The organization maintains accounts in several FDIC and NCUA insured institutions. Deposits in one bank exceeded the depository insurance limit as of September 30, 2018 by \$109,901.

14. PRIOR YEAR FINANCIAL INFORMATION:

These financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

PINE CASTLE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

-continued-

15. BOARD DESIGNATED FUNDS:

The Board of Directors of Pine Castle, Inc. has designated \$975,758 from an investment account as a cash reserve held for long-term purposes.

16. SUBSEQUENT EVENTS:

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through January 26, 2019, the date the financial statements were available to be issued. No material subsequent events have occurred since September 30, 2018 that would require recognition or disclosure in the financial statements.

THE FORDE FIRM, LLC
5150 Belfort Road, Bldg. 300
JACKSONVILLE, FLORIDA 32256
(904) 725-5832 FAX (904) 727-6835
Email: office@fordefirm.com

Linda R. Forde, C.P.A.
M. Todd Middlemas, C.P.A., M.B.A.
Margaret R. Dodson, C.P.A.
Barbara L. Towle, C.P.A.
Christina E. Gibson, C.P.A.
Megan McAtee, C.P.A., M.Acc.

MEMBER OF
AMERICAN AND FLORIDA
INSTITUTES OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Pine Castle, Inc.
Jacksonville, Florida

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 financial statements of Pine Castle, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pine Castle, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pine Castle, Inc.'s 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Pine Castle, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



The Forde Firm, LLC
Jacksonville, Florida
January 14, 2019

THE FORDE FIRM, LLC
5150 Belfort Road, Bldg. 300
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Pine Castle, Inc.
Jacksonville, Florida

We have audited the financial statements of Pine Castle, Inc. as of and for the year ended September 30, 2018, and have issued our report thereon dated January 14, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of the Source and Status of Funds Received from the City of Jacksonville, Florida is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

This report is intended solely for the information and use of the board of directors, management and the City of Jacksonville and is not intended to be and should not be used by anyone other than these specified parties.



The Forde Firm, LLC
Jacksonville, Florida
January 14, 2019

PINE CASTLE, INC.

SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE SOURCE AND STATUS OF FUNDS
 RECEIVED FROM THE CITY OF JACKSONVILLE, FLORIDA
 For the Year Ended September 30, 2018

Public Service Grant

Contract Number: 4211-46
 Contract Period: 10/1/17 - 9/30/18
 Award Amount: \$19,780

	Budget	Actual 10/1/17 to 9/30/2018	Total to Date 9/30/2018	Remaining Balance 9/30/2018
<u>Cash Receipts:</u>				
City of Jacksonville, Florida	\$ 19,780	\$ 19,780	\$ 19,780	\$ -
<u>Cash Disbursements:</u>				
Salaries	\$ 15,990	\$ 15,990	\$ 15,990	\$ -
Payroll taxes	1,179	1,179	1,179	-
Health insurance	2,611	2,611	2,611	-
Dental Insurance	-	-	-	-
	<u>\$ 19,780</u>	<u>\$ 19,780</u>	<u>\$ 19,780</u>	<u>\$ -</u>
Cash Receipts in Excess of Disbursements (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Receivable from the City of Jacksonville is \$681
 as of September 30, 2018.

Community Development Block Grant

Contract Number: 4211-44
 Federal grant ID - PDC001/18
 CFDA 14.218
 Contract Period: 10/1/17 - 9/30/18
 Award Amount: \$32,000

	Budget	Actual 10/1/17 to 9/30/2018	Total to Date 9/30/2018	Remaining Balance 9/30/2018
<u>Cash Receipts:</u>				
City of Jacksonville, Florida	\$ 32,000	\$ 32,000	\$ 32,000	\$ -
<u>Cash Disbursements:</u>				
Salaries	\$ 24,934	\$ 24,934	\$ 24,934	\$ -
Fringe benefits	7,066	7,066	7,066	-
	<u>\$ 32,000</u>	<u>32,000</u>	<u>32,000</u>	<u>\$ -</u>
Cash Receipts in Excess of Disbursements (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Receivable from the City of Jacksonville is \$-0-
 as of September 30, 2018.

See Accompanying Report on Supplementary Information

PINE CASTLE, INC.

CERTIFICATION

September 30, 2018

We hereby certify that we have examined the accompanying financial statements and supplemental data of Pine Castle, Inc., and, to the best of our knowledge and belief, the same are accurate and complete. The information provided to the City of Jacksonville in this submittal is submitted under penalties of perjury, under Section 837.06, Florida Statutes.



Signature

MICHAEL P. SEERA

Name

11/24/15

Date