Consolidated Financial Statements

June 30, 2022

Primrose Center, Inc. and Affiliate

McDirmit Davis

Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Primrose Center, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Primrose Center, Inc. (A Not-for-Profit Corporation) and affiliate which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of Primrose Center, Inc. and its affiliate as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Primrose Center, Inc. and its affiliate, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Primrose Center, Inc. and its affiliate's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 Primrose Center, Inc. and its affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Primrose Center, Inc. and its affiliate'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information and schedule of expenditures of federal awards (SEFA), as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2023 on our consideration of Primrose Center, 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 solely 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 effectiveness of Primrose Center, Inc.'s 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 Primrose Center, Inc.'s internal control over financial reporting and compliance.

McDirmit Davis

Orlando, Florida
January 23, 2023

Consolidated Statement of Financial Position

June 30, 2022

Assets:		
Cash and cash equivalents	$	1,990,894
Investments		882,380
Accounts receivable, net of allowance for doubtful accounts of $6,162		837,609
Grants and contracts receivable		262,999
Prepaid expenses		65,713
Property and equipment, net of accumulated depreciation		1,417,765
Total assets	$	5,457,360
Liabilities:		
Accounts payable	$	116,469
Accrued expenses		378,415
Deferred revenue		1,314,269
Long-term debt, less unamortized loan costs		423,098
Total liabilities		2,232,251
Net Assets:		
Net assets without donor restrictions:		
Investment in property and equipment		994,667
Designated for group homes endowment		328,629
Undesignated		1,901,813
Total net assets without donor restrictions		3,225,109
Total liabilities and net assets	$	5,457,360

Changes in Net Assets without donor restrictions:	
Operating revenues and support:	
Fees and grants from governmental agencies	$ 3,709,528
Contributions	6,272
Program service fees	276,318
Investment income (loss)	(88,287)
Forgiveness of PPP loan (see Note 6)	513,059
Miscellaneous	52,708
Total revenue and support	4,469,598
Operating expenses:	
Program services:	
Center	1,551,416
Supported employment	97,697
Supported living	-
Group homes	1,913,436
Total program services	3,562,549
Support services:	
Management and general	528,659
Development	25,200
Total operating expenses	4,116,408
Increase in net assets without donor restrictions	353,190
Net assets, beginning of year	2,871,919
Net assets, end of year	$ 3,225,109

Primrose Center, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services		
	Center	Supported Employment	Supported Living
Salaries	$ 748,538	$ 79,770	$ -
Benefits	208,535	12,924	-
Professional fees	10,630	-	-
Depreciation and amortization	71,653	-	-
Occupancy	75,132	-	-
Transportation	133,823	-	-
Insurance	72,360	-	-
Food	6,900	-	-
Supplies	55,193	73	-
Equipment rental and maintenance	104,027	-	-
Miscellaneous	10,498	38	-
Interest expense	14,106	380	-
Bad debt expense	25,278	-	-
Telephone	10,666	1,334	-
Dues and subscriptions	353	-	-
Staff training and travel	1,582	3,178	-
Advertising	1,827	-	-
Client allowances and expenses	315	-	-
Total	$ 1,551,416	$ 97,697	$ -

Continued

Program Services		Support Services		
Group Homes	Total	Management and General	Development	Total Expenses
$ 1,337,713	$ 2,166,021	$ 101,627	$ -	$ 2,267,648
192,475	413,934	11,725	-	425,659
10,530	21,160	339,107	25,200	385,467
53,354	125,007	-	-	125,007
80,178	155,310	7,774	-	163,084
990	134,813	-	-	134,813
48,907	121,267	6,945	-	128,212
97,579	104,479	147	-	104,626
27,154	82,420	16,076	-	98,496
45,626	149,653	990	-	150,643
6,538	17,074	14,132	-	31,206
4,259	18,745	11,481	-	30,226
-	25,278	14	-	25,292
6,134	18,134	1,764	-	19,898
630	983	14,323	-	15,306
1,294	6,054	448	-	6,502
75	1,902	2,106	-	4,008
-	315	-	-	315
$ 1,913,436	$ 3,562,549	$ 528,659	$ 25,200	$ 4,116,408

Cash Flows from Operating Activities:	
Cash received from revenues and other support	$ 4,606,897
Cash paid for expenses	(3,945,831)
Investment income received	23,043
Interest paid	(4,030)
Net cash provided by operating activities	680,079
Cash Flows from Investing Activities:	
Purchases of investments	(170,055)
Sale of investments	151,159
Purchases of property and equipment	(6,957)
Net cash used for investing activities	(25,853)
Cash Flows from Financing Activities:	
Payments on long-term debt	(4,522)
Net cash used for financing activities	(4,522)
Net increase in cash and cash equivalents	649,704
Cash and cash equivalents, beginning of year	1,341,190
Cash and cash equivalents, end of year	$ 1,990,894
Supplemental Disclosure of Cash Flow Information:	
Non-cash investing and financing activities:	
PPP Loan Forgiveness	$ 513,059

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Primrose Center, Inc. (the "Center") and affiliate have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant policies followed are described below:

Organization
Primrose Center, Inc. is a not-for-profit corporation established for developmentally disabled adults who can benefit from prevocational training programs. The Center is supported primarily through fees and grants from government agencies, and program service fees. The adult day training centers, group homes and administrative offices are located in Orlando, Florida.

Consolidation
The accompanying consolidated financial statements include the accounts of the Center and Primrose Properties, Inc. (the "Properties"), an affiliated organization, (collectively the "Company"). Consolidation is required since the organizations are financially interrelated through economic interest and control. Intercompany transactions and balances have been eliminated in consolidation. Consolidating schedules are included as additional information.

Financial Statement Presentation
The Company's consolidated financial statements are presented in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (FASB ASC) 958-605, *Accounting for Contributions Received and Contributions Made,* and FASB ASC 958-205, *Financial Statement of Not-for-Profit Organizations.*

FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as contributions at fair value at the date the promises are received or made. FASB ASC 958-605 also requires the Company to distinguish between promises received for each net asset category in accordance with donor restrictions, if any.

Under FASB ASC 958-205, net assets and revenue, expenses, gains and losses are classified as with or without donor restrictions based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, the net assets of the Company and changes therein are classified as follows:

Net assets without donor restrictions - Net assets available for the support of the Company's operations. The net assets without donor restrictions may be used at the discretion of the Company's management and Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Company or the passage of time. Net assets subject to donor-imposed stipulations may also be maintained permanently by the Company. In those situations, donors permit the Company to use all or part of the earnings on related investments for the general or specific purposes.

Revenue is recognized as an increase in net assets without donor restrictions unless use of the related assets are limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by contract. Expirations of the donor imposed or contractual restrictions on net assets are reported as reclassifications to net assets without donor restrictions in the period in which the restriction expires. A restriction expires when the stipulated time period has elapsed, and/or the stipulated purpose has been fulfilled. Contributions received with donor-imposed restrictions that are met in the same reporting period in which the contributions are received are classified as contributions without donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents
The Company includes in cash and equivalents, demand deposits and money market funds with banks and other financial institutions. This would include accounts that have the general characteristics of demand deposits where the Company can effectively withdraw funds at any time without prior notice or penalty.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in changes in net assets without donor restrictions because the gains and losses are unrestricted.

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides an allowance for doubtful accounts 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. The allowance for doubtful accounts at June 30, 2022 was $6,162.

Financing Costs
Loan origination fees and other costs associated with acquisition of group homes and other property are amortized over the life of the loan (ranging from 5 to 15 years) using the straight-line method. Amortization expense is combined with operating interest expense in the accompany consolidated statement of activities during the year ended June 30, 2022. Unamortized financing costs are a direct reduction from long-term debt in the accompanying consolidated statement of financial position.

Property and Equipment
Property and equipment purchases in excess of $500 are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets ranging from three to thirty-five years.

Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses
The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance, utilities, payroll and payroll benefits, which are allocated on the basis of estimates of time and effort.

Income Tax Status
The Company is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Properties is a corporation that is exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code. Both entities are subject to federal and state income taxes on unrelated business taxable income generated by certain fund-raising activities and non-program related revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company has adopted the application of the uncertain tax position provisions of FASB ASC 740, *Income Taxes*. It prescribes an evaluation process for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, disclosure and transitions. The provisions had no impact on the accompanying consolidated financial statements. As of June 30, 2022, the Company has accrued no interest and penalties related to uncertain tax positions. It is the Company's policy to recognize interest and penalties related to income tax matters as expense. In general, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for U.S. federal or state income tax returns before fiscal year ended June 30, 2019.

New Accounting Pronouncements
FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance during the year ended June 30, 2022. The Company has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in these notes to consolidated financial statements, does not believe that any new or modified principles will have a material impact on the Company's report financial position or operations in the near term.

In February 2016, the FASB issued Accounting Standards Updated 2016-02: Leases, which requires entities to recognize lease assets and lease liabilities on the statement of financial position and disclose key information about leasing arrangements. The new standard is effective for the year beginning after December 15, 2021. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Risks and Uncertainties
The Company is continually evaluating various risks, including changes in the economy, supply chain disruptions, labor shortages, and the COVID-19 global pandemic, and has concluded that while it is reasonably possible that the Company could experience a negative financial effect, no specific impact is readily determinable as of the date of the consolidated financial statements nor as of the date they were available to be issued. The consolidated financial statements do not include any adjustment that might result from the outcome of any uncertainty.

Subsequent Events
The Company has evaluated subsequent events through date of the independent accountant's report, the date which the accompanying financial statement were available to be issued. Based on such evaluation no events have occurred that in the opinion of management warrant disclosures in or adjustment to the consolidated financial statements.

NOTE 2 LIQUIDITY AND AVILABILITY OF FINANCIAL RESOURCES

As of June 30, 2022, the following reflects the Company's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserves with one year of June 30, 2022:

Cash and cash equivalents	$ 1,990,894
Investments	882,380
Accounts receivable	837,609
Total	3,710,883
Less: board designated net assets	(328,629)
Total	$ 3,382,254

As part of the Company's liquidity management, the Company's policy is to make financial assets available as expenses and other liabilities come due. The Company keeps assets invested in related investment strategy until expenses or other liabilities become due. The Company uses checking and savings accounts to manage its daily cash needs.

NOTE 3 INVESTMENTS

Investments are stated at fair value and consist of the following types of investments:

Investments:		
Marketable equity securities	$	238,396
Mutual funds		27,488
Fixed income		616,496
Total Investments	$	882,380

NOTE 4 FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

				Fair Value Using:
		Fair Value		**Quoted Prices in Active Markets for Identical Assets (Level 1)**
Investments:				
Marketable equity securities	$	238,396	$	238,396
Mutual funds		27,488		27,488
Fixed income		616,496		616,496
Total Assets at Fair Value	$	882,380	$	882,380

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of unadjusted quoted prices in active markets for similar assets, and Level 3 inputs have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or 3 inputs were applicable to the Company for the year end June 30, 2022.

Level 1 Fair Value Measurements
The fair values of shares of mutual funds, equity securities, fixed income funds and mortgage-backed securities are based on quoted market prices

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2022 is as follows:

	Center	Properties	Total
Land	$ -	$ 238,382	$ 238,382
Land improvements	-	288,193	288,193
Buildings and improvements	-	2,275,610	2,275,610
Furniture and equipment	331,240	-	331,240
Vehicles	130,104	-	130,104
	461,344	2,802,185	3,263,529
Less: accumulated depreciation	(392,106)	(1,453,658)	(1,845,764)
Property and equipment, net	$ 69,238	$ 1,348,527	$ 1,417,765

Depreciation expense for the year ended June 30, 2022 amounted to $125,007.

NOTE 6 LONG-TERM DEBT

A summary of long-term debt at June 30, 2022 is as follows:

Primrose Center, Inc.:	
$120,000 Line of credit due to a bank, due on demand including revolving interest at prime +1.5% (6.25% at June 30, 2022); secured by real property. ($120,000 balance available at June 30, 2022).	$ -
Primrose Properties, Inc.:	
Note payable to a bank, in monthly installments of $1,122 including principal and interest at 5.67% through March 29, 2027 when final balloon payment is due. Secured by real property.	123,098
Promissory note to City of Orlando under the terms and conditions of SHIP agreement due on June 30, 2034. If the Center is in full compliance with the terms of the SHIP Program Agreement, the Debt evidencing this note shall be marked cancelled by the City. During the deferment, this note will not accrue interest.	300,000
Total outstanding long term debt	$ 423,098

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Company had an unsecured note payable of $510,565, guaranteed through the U.S. Small Business Administration through the Paycheck Protection Program (the "PPP), which accrued interest at a fixed rate of interest of 1.00% and was eligible for loan forgiveness in accordance with the PPP. During the year, the note payable was fully forgiven in accordance with the PPP.

Estimated principal maturities on long-term debt are as follows:

Year Ending June 30,		
2023	$	6,679
2024		7,048
2025		7,458
2026		7,892
2027		94,021
Thereafter		300,000
	$	423,098

NOTE 7 LEASE OBLIGATIONS

Operating Leases - The Company leases office equipment under non-cancelable operating leases. Future minimum lease payments as of June 30, 2022 are as follows:

Year Ending June 30,		
2023	$	10,798
2024		10,798
2025		10,798
2025		3,599
	$	35,993

For the year ended June 30, 2022, the amount of lease expense reported in occupational expense was $11,222.

Additionally, the Center leases vehicles on a month-to-month basis. Total rent expense under these leases was $52,729.

NOTE 8 PROFIT SHARING PLAN

The Company has a profit sharing plan for the benefit of substantially all employees. This is a defined contribution pension plan whereby the Company contributes a specified percentage of eligible employees' compensation to the plan, the percentage being set annually by the Board of Directors. The Company did not make any contributions to this plan for the year ended June 30, 2022.

NOTE 9 GRANTS FROM GOVERNMENTAL AGENCIES

The Company received approximately 63% of its support in 2022 from federal and state of Florida governments under the Florida Medicaid Waiver Program administered by the State of Florida, Department of Children and Families. Under this program, the participant signs a contract with the state for a specified amount of money per day per client. A significant reduction in the level of this government support, if this were to occur, could have an effect on the Company's programs and activities.

The Company also receives support from the federal and state of Florida governments under the Vocational Rehabilitation, Supported Employment Program administered by the State of Florida, Department of Labor and Employment Security.

NOTE 9 GRANTS FROM GOVERNMENTAL AGENCIES (CONTINUED)

The Company also receives support from the Central Florida Regional Transportation Authority through Section 5310: Enhanced Mobility of Seniors and Individuals with Disabilities Program from the Federal Transit Administration (FTA) CFDA #20.513.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist of temporary cash investments and receivables from governmental agencies. Credit risk with respect to concentrations of accounts receivable are limited due to the fact that the entire balance is due from governmental agencies. The Company has cash deposits in excess of federally insured limits amounting to approximately $1,222,000.

NOTE 11 CONTINGENCIES

Grant Compliance
The Company receives a significant amount of revenue under several federal and state grant programs as described in Note 9. These programs are subject to compliance audits as required by the federal government and the state of Florida. The amount, if any, of expenditures, which may be disallowed, is not determinable at this time.

ADDITIONAL INFORMATION

Primrose Center, Inc. and Affiliate
Consolidating Schedule of Financial Position
June 30, 2022

	Center	Properties	Eliminations	Total
Assets:				
Cash and cash equivalents	$ 1,143,972	$ 846,922	$ -	$ 1,990,894
Investments	382,719	499,661	-	882,380
Investment in affiliate	3,536,668	-	(3,536,668)	-
Advance from affiliate	(1,248,796)	1,248,796	-	-
Accounts receivable, net of allowance for doubtful accounts of $6,162	837,609	23,559	(23,559)	837,609
Grant and contract receivables	262,999	-	-	262,999
Prepaid expenses	65,713	-	-	65,713
Property and equipment, net of accumulated depreciation	69,238	1,348,527	-	1,417,765
Total assets	$ 5,050,122	$ 3,967,465	$ (3,560,227)	$ 5,457,360
Liabilities:				
Accounts payable	$ 140,028	$ -	$ (23,559)	$ 116,469
Accrued expenses	370,716	7,699	-	378,415
Deferred revenue	1,314,269	-	-	1,314,269
Long-term debt, less unamortized loan cost	-	423,098	-	423,098
Total liabilities	1,825,013	430,797	(23,559)	2,232,251
Net Assets:				
Net assets without donor restrictions:				
Investment in property and equipment	69,238	925,429	-	994,667
Designated for group homes endowment	328,629	-	-	328,629
Undesignated	2,827,242	2,611,239	(3,536,668)	1,901,813
Total net assets without donor restrictions	3,225,109	3,536,668	(3,536,668)	3,225,109
Total liabilities and net assets	$ 5,050,122	$ 3,967,465	$ (3,560,227)	$ 5,457,360

Changes in Net Assets without donor restrictions:	Center	Properties	Eliminations	Total
Operating revenues and Support:				
Fees and grants from governmental agencies	$ 3,709,528	$ -	$ -	$ 3,709,528
Contributions	6,272	-	-	6,272
Investment in affiliate income	98,841	-	(98,841)	-
Program service fees	276,318	-	-	276,318
Rental income	-	282,708	(282,708)	-
Investment income (loss)	(45,977)	(42,310)	-	(88,287)
Gain (loss) on disposal of property	-	-	-	-
Forgiveness of PPP loan (see Note 6)	513,059	-	-	513,059
Miscellaneous	10,150	42,558	-	52,708
Total operating revenues and support	4,568,191	282,956	(381,549)	4,469,598
Operating expenses:				
Program services:				
Center	1,515,563	139,697	(103,844)	1,551,416
Supported employment	109,697	-	(12,000)	97,697
Supported living	-	-	-	-
Group homes	2,024,982	43,318	(154,864)	1,913,436
Total program services	3,650,242	183,015	(270,708)	3,562,549
Support services:				
Management and general	539,559	1,100	(12,000)	528,659
Development	25,200	-	-	25,200
Total operating expenses	4,215,001	184,115	(282,708)	4,116,408
Total increase (decrease) in net assets without donor restrictions	353,190	98,841	(98,841)	353,190
Net Assets at Beginning of Year	2,871,919	3,437,827	(3,437,827)	2,871,919
Net Assets at End of Year	$ 3,225,109	$ 3,536,668	$ (3,536,668)	$ 3,225,109

	Center	Properties	Eliminations	Total
Cash Flows from Operating Activities:				
Cash received from revenues and other support	$ 4,564,330	$ 278,157	$ (235,590)	$ 4,606,897
Cash paid for expenses	(4,113,545)	(67,876)	235,590	(3,945,831)
Investment income received	8,986	14,057	-	23,043
Interest paid	-	(4,030)	-	(4,030)
Net cash provided by operating activities	459,771	220,308	-	680,079
Cash Flows from Investing Activities:				
Purchase of investments	(72,522)	(97,533)	-	(170,055)
Sale of investments	63,832	87,327	-	151,159
Purchases of property and equipment	(1,487)	(5,470)	-	(6,957)
Net cash provided by (used for) financing activities	(10,177)	(15,676)	-	(25,853)
Cash Flows from Financing Activities:				
Advances to (from) affiliate	216,607	(216,607)		-
Payments on long-term debt	-	(4,522)	-	(4,522)
Net cash provided by (used for) financing activities	216,607	(221,129)	-	(4,522)
Net Increase (Decrease) in Cash and Cash Equivalents	666,201	(16,497)	-	649,704
Cash and cash equivalents, beginning of year	477,771	863,419	-	1,341,190
Cash and cash equivalents, end of year	$ 1,143,972	$ 846,922	$ -	$ 1,990,894
Supplemental Disclosure of Cash Flow Information:				
Non-cash investing and financing activities:				
PPP Loan Forgiveness	$ 513,059	$ -	$ -	$ 513,059

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
Primrose Center, Inc., Florida

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program
We have audited the *Primrose Center, Inc.* and affiliate's (the Center) compliance with the types of compliance requirements Identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Primrose Center, Inc. and affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Primrose Center, Inc. and affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Center's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion was expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McDirmit Davis

Orlando, Florida
January 23, 2023

Award type **Grantor** **Pass-through grantor** **Grantor program title**	**Assistance Listing Number**	**Agency or Pass-through Entity Grant Number**	**Expenditures**
Federal Grants			
United States Department of Housing and Urban Development			
Passed through Orange County			
Community Development Block Grants *	14.218	CDBG 20/21	$ 9,381
Community Development Block Grants *	14.218	CDBG 21/22	25,314
COVID 19 - Community Development Block Grants*	14.218	CDBG 19/20-CV	350,000
Passed through City of Orlando			
COVID 19 - Community Development Block Grants*	14.218	CDBG 20/21- CV	89,831
COVID 19 - Community Development Block Grants*	14.218	CDBG 20/21- CV	353,321
Total CDBG Entitlement Grants Cluster			827,847
United States Department of Transportation			
Passed through Central Florida Regional Transportation Authority			
Enhanced Mobility of Seniors and Individuals with Disabilities (49 U.S.C. 5310)	20.513	FL-2020-018	101,914
United States Department of Health and Human Services			
COVID-19- Provider Relief Funds	93.498		225,429
Total federal awards			$ 1,155,190

* Denotes a major program

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Primrose Center, Inc. (the Center) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net position or cash flows of the Center.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of June 30, 2022, even if the grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

Indirect cost rate is dictated by its federal contract terms. The 10-percent de minimis indirect rate as allowed under the Uniform Guidance is not in effect nor is available under its contracts.

Section I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditors' report issued:	Unmodified Opinion	
Internal control over financial reporting:		
• Material weakness identified?	____ Yes	_X_ No
• Significant deficiency identified	____ Yes	_X_ None reported
Noncompliance material to financial Statements noted?	____ Yes	_X_ No

Federal Programs

Type of auditors' report issued on compliance for major federal programs:	Unmodified Opinion	
Internal control over major Federal programs:		
• Material weakness identified?	____ Yes	_X_ No
• Significant deficiency identified	____ Yes	_X_ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	____ Yes	_X_ No

Identification of major Federal Programs

	Assistance Listing No.	
	14.218	Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs Federal — $750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance? ____ Yes _X_ No

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None

Section IV - Federal Award Summary Schedule of Prior Year Findings: No Prior Year Findings