

**EASTER SEAL SOCIETY  
OF VOLUSIA AND FLAGLER COUNTIES, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2015**

EASTER SEAL SOCIETY  
OF VOLUSIA AND FLAGLER COUNTIES, INC.

JUNE 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Easter Seal Society of Volusia and Flagler Counties, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Easter Seal Society of Volusia and Flagler Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the ten months 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 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 Easter Seal Society of Volusia and Flagler Counties, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

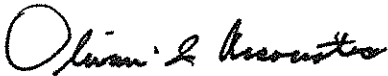
***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, and The Florida Single Audit Act* is presented for 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of Easter Seal Society of Volusia and Flagler Counties, 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 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 Easter Seal Society of Volusia and Flagler Counties, Inc.'s internal control over financial reporting and compliance.



Olivari & Associates  
Certified Public Accountants And Consultants

Ormond Beach, Florida  
September 21, 2015

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>Assets</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 393,587	\$ 304,259	\$ -	\$ 697,846
Accounts receivable, net	242,624	-	-	242,624
Pledges and other receivables	88,836	9,905	-	98,741
Certificates of deposit	-	890,696	50,000	940,696
Prepaid expenses & other current assets	48,142	-	-	48,142
<b>Total current assets</b>	<b>773,189</b>	<b>1,204,860</b>	<b>50,000</b>	<b>2,028,049</b>
Inter-fund receivable (payable)	(21,012)	21,012	-	-
Property and equipment, net	2,080,473	1,147	-	2,081,620
<b>Total Assets</b>	<b>\$ 2,832,650</b>	<b>\$ 1,227,019</b>	<b>\$ 50,000</b>	<b>\$ 4,109,669</b>
<b><u>Liabilities and Net Assets</u></b>				
<b>Current liabilities</b>				
Obligations under capital lease	\$ 4,616	\$ -	\$ -	\$ 4,616
Accounts payable	173,259	-	-	173,259
Accrued expenses	270,132	-	-	270,132
Deferred revenue	149,343	104,502	-	253,845
<b>Total current liabilities</b>	<b>597,350</b>	<b>104,502</b>	<b>-</b>	<b>701,852</b>
<b>Total liabilities</b>	<b>597,350</b>	<b>104,502</b>	<b>-</b>	<b>701,852</b>
<b>Net Assets</b>				
<b>Unrestricted:</b>				
Undesignated	168,611	-	-	168,611
Invested in property and equipment, net of related debt	2,066,689	-	-	2,066,689
Temporarily restricted	-	1,122,517	-	1,122,517
Permanently restricted	-	-	50,000	50,000
<b>Total net assets</b>	<b>2,235,300</b>	<b>1,122,517</b>	<b>50,000</b>	<b>3,407,817</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,832,650</b>	<b>\$ 1,227,019</b>	<b>\$ 50,000</b>	<b>\$ 4,109,669</b>

The accompanying independent auditors' report and notes  
should be read with these financial statements.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>Operating revenues and gains</u></b>				
Public support:				
Contributions	\$ 36,770	\$ 26,542	\$ -	\$ 63,312
Fundraising	104,341	-	-	104,341
Bequests and memorial gifts	47,083	-	-	47,083
Donated services and materials	17,975	-	-	17,975
Total public support	<u>206,169</u>	<u>26,542</u>	<u>-</u>	<u>232,711</u>
Revenue:				
Federal and State grants	1,154,178	-	-	1,154,178
Medicaid	651,849	-	-	651,849
Program service fees and revenue	3,003,398	-	-	3,003,398
Investment income, net	4	3,957	-	3,961
Other income	45,673	-	-	45,673
Inter-fund interest income (expense)	(130)	130	-	-
Total revenue	<u>4,854,972</u>	<u>4,087</u>	<u>-</u>	<u>4,859,059</u>
Net assets released from restrictions	<u>41,215</u>	<u>(41,215)</u>	<u>-</u>	<u>-</u>
Total operating revenues and gains	<u>5,102,356</u>	<u>(10,586)</u>	<u>-</u>	<u>5,091,770</u>
<b><u>Operating expenses</u></b>				
Program services:				
Public health and education	70,393	-	-	70,393
Professional education and training	14,079	-	-	14,079
Direct services	4,646,485	-	-	4,646,485
Total program services	<u>4,730,957</u>	<u>-</u>	<u>-</u>	<u>4,730,957</u>
Supporting services:				
Management and general	344,617	-	-	344,617
Fundraising	56,314	-	-	56,314
Membership	30,383	-	-	30,383
Total program and supporting services	<u>5,162,271</u>	<u>-</u>	<u>-</u>	<u>5,162,271</u>
Increase (decrease) in net assets	(59,915)	(10,586)	-	(70,501)
Net assets, beginning of year	<u>2,295,215</u>	<u>1,133,103</u>	<u>50,000</u>	<u>3,478,318</u>
Net assets, end of year	<u>\$ 2,235,300</u>	<u>\$ 1,122,517</u>	<u>\$ 50,000</u>	<u>\$ 3,407,817</u>

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**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2015**

	Program Services				Supporting Services			Total Expenses
	Public Health Education	Professional Education and Training	Direct Services	Total Program Services	Management and General	Fund Raising	Membership	
Salaries and benefits	\$ 49,546	\$ 9,909	\$ 3,271,907	\$ 3,331,362	\$ 239,230	\$ 39,637	\$ -	\$ 3,610,229
Professional fees	7,248	1,450	795,266	803,964	27,212	5,798	-	836,974
Supplies	715	143	184,031	184,889	3,766	572	-	189,227
Telecommunications	84	17	27,542	27,643	1,477	67	-	29,187
Postage and shipping	534	107	7,294	7,935	1,067	427	-	9,429
Occupancy	1,263	253	150,667	152,183	16,468	1,010	-	169,661
Small equipment and maintenance	152	30	17,252	17,434	11,845	122	-	29,401
Printing and publications	1,584	317	-	1,901	3,543	1,267	-	6,711
Membership fees	-	-	-	-	-	-	30,383	30,383
Travel	76	15	54,939	55,030	496	61	-	55,587
Conferences and meetings	349	70	6,794	7,213	6,553	279	-	14,045
Specific assistance	6,512	1,302	2,160	9,974	350	5,209	-	15,533
Interest	31	6	3,482	3,519	758	24	-	4,301
Donated services and materials	-	-	8,012	8,012	9,963	-	-	17,975
Bad debt expense	-	-	2,537	2,537	-	-	-	2,537
Other	1,072	214	8,801	10,087	1,883	858	-	12,828
Depreciation	651	130	75,266	76,047	16,161	521	-	92,729
Insurance	576	116	30,535	31,227	3,845	462	-	35,534
	<u>70,393</u>	<u>14,079</u>	<u>4,646,485</u>	<u>4,730,957</u>	<u>344,617</u>	<u>56,314</u>	<u>30,383</u>	<u>5,162,271</u>
Allocation of Management and general	6,267	1,253	332,083	339,603	(344,617)	5,014	-	-
Total program and supporting services expenses	<u>\$ 76,660</u>	<u>\$ 15,332</u>	<u>\$ 4,978,568</u>	<u>\$ 5,070,560</u>	<u>\$ -</u>	<u>\$ 61,328</u>	<u>\$ 30,383</u>	<u>\$ 5,162,271</u>

The accompanying independent auditors' report and notes  
should be read with these financial statements.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2015**

	<b>2015</b>
<b>Cash flows from operating activities</b>	
Change in net assets	\$ (70,501)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	92,729
Bad debt expense	2,537
Provision for Medicaid and third party insurance discounts	52,938
<i>(Increase) decrease in certain assets:</i>	
Accounts receivable	225,580
Pledges and other receivables	(14,762)
Prepaid expenses and other current assets	(1,555)
<i>Increase (decrease) in certain liabilities:</i>	
Accounts payable	33,040
Accrued expenses	41,241
Deferred revenue	209,937
Total adjustments	641,685
Net cash provided by operating activities	571,184
<b>Cash flows from investing activities</b>	
Purchases of certificates of deposit	(240,981)
Proceeds from maturity of certificates of deposit	276,612
Purchases of property and equipment	(38,398)
Net cash used in investing activities	(2,767)
<b>Cash flows from financing activities</b>	
Principal payments on lines of credit	(160,000)
Principal payments on capital lease	(4,275)
Net cash used in financing activities	(164,275)
<b>Net increase in cash and cash equivalents</b>	404,142
<b>Cash and cash equivalents, beginning of period</b>	293,704
<b>Cash and cash equivalents, end of period</b>	\$ 697,846
<b>Supplemental disclosure of cash flow information</b>	
Cash paid during the period for interest	\$ 4,301

The accompanying independent auditors' report and notes  
should be read with these financial statements.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies and practices of Easter Seal Society of Volusia and Flagler Counties, Inc. (the Organization), which affect significant elements of the accompanying financial statements.

(a) **Organization**—The accompanying financial statements include the accounts of Easter Seal Society of Volusia and Flagler Counties, Inc. (the Organization) and Easter Seals Charter School (the School). The School is a division of the Organization. As such, the School's results of operations are reported in the accompanying financial statements. Easter Seal Society of Volusia and Flagler Counties, Inc. is a not-for-profit corporation that provides services to children and adults with disabilities or other special needs and their families. The Organization offers a broad range of services including the following: physical, occupational, speech and language therapies; autism services; specialized infant hearing screening; pre-school; camping and recreation; deaf and hard of hearing services; local early steps services; and family and community education. These programs are operated at various locations in Volusia, Flagler, Putnam, Lake and Sumter Counties in the State of Florida.

The general operating authority of the School is contained in Section 1002.33 of the Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Volusia County, Florida (the District) and began operations in September 2005. The current charter was renewed effective July 1, 2013 through June 30, 2018, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to the Florida Statutes, in the event the School is dissolved or terminated, any unencumbered public funds (excluding unencumbered capital outlay funds) and all School property purchased with public funds automatically revert to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. During the term of the charter, the District may also terminate the charter if good cause is demonstrated in accordance with the terms of the charter.

The Organization changed its fiscal year from August 31<sup>st</sup> to June 30<sup>th</sup> to conform to the Organizations primary State contract funding years. Accordingly, the fiscal year transition period for the accompanying financial statements is for the ten months ended June 30, 2015. Future financial reporting periods will be for the years ending June 30<sup>th</sup>.

(b) **Basis of accounting**—The Organization follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. Federal, State, and local government and public grants are recorded as support when performance occurs under the terms of the grant agreement.

(c) **Basis of presentation**—Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958, Not-for-Profit Entities Presentation of Financial Statements. Under those standards, 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.

EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 – Summary of Significant Accounting Policies: (Continued)**

**Unrestricted net assets**—Net assets that are not subject to donor-imposed stipulations and are currently available at the discretion of the Board of Directors for use in the Organization’s operations, including the investment in property and equipment.

**Temporarily restricted net assets**—Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

**Permanently restricted net assets**—Net assets subject to donor-imposed stipulations or by matter of law that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. It is the Organization’s policy to record donor-restricted contributions on which restrictions are met in the same reporting period as unrestricted contributions.

(d) **Cash and cash equivalents**—For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(e) **Accounts receivable**—Accounts receivable include balances due from contracts and clients for various program services performed during the course of normal operations, and are carried at their estimated collectible amounts. Contract related receivables are due primarily from governmental units under the terms of various contracts. Due to the nature of these agencies, no allowance for uncollectible amounts has been established on contract related receivables. The Organization regularly reviews the average outstanding client receivable balances for the fiscal year and estimates collectability. The Organization provides for these estimated uncollectible amounts through a charge to earnings and a credit to an allowance for discounts or an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Third party insurance revenues, including Medicaid revenues are reported net of discounts and applicable allowances. Accounts receivable balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the applicable allowance accounts and a credit to accounts receivable. The Organization does not accrue interest income on outstanding receivable balances.

(f) **Contributions receivable**—Unconditional promises to give, less an allowance for uncollectible amounts (if applicable), are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. At June 30, 2015, the Organization had \$18,017 of contributions receivable. There is no allowance associated with the current contributions receivable. This amount is included in pledges and other receivables in the accompanying statement of financial position.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies: (Continued)**

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no conditional promises to give at June 30, 2015.

(g) **Investments and fair value of financial instruments**—Cash and cash equivalents and certificates of deposit are reported at their fair market value. Investments in marketable debt and equity securities with readily determined fair value are reported at their fair value. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor of the related investment. Other financial instruments consists mainly of accounts receivable, accounts payable and capital lease debt. The carrying amounts of these financial instruments approximate fair value due to either their short-term nature or their relationship to market rates of interest. At June 30, 2015 and for the ten months ended June 30, 2015, the Organization did not hold any marketable debt or equity securities.

(h) **Property and equipment**—The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment. Prior to September 1, 2014, the capitalization threshold was \$500. The fair value of donated assets is simultaneously capitalized and recognized as support.

Property and equipment are carried at cost for purchased assets and at fair market value at date of donation for donated assets. Depreciation is calculated using the straight-line method over the following estimated lives:

Building and improvements	5 – 39 years
Furniture, fixtures and equipment	3 – 10 years
Leasehold improvements	3 – 10 years

Leasehold improvements are generally depreciated over the estimated useful life of the improvements or the lease term whichever is shorter.

(i) **Deferred Revenue**—Grant or program monies received by the Organization that have not been spent on qualifying expenses are recorded as deferred revenue in the accompanying statement of financial position.

(j) **Contributions**—The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 – Summary of Significant Accounting Policies: (Continued)**

donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction expenses have been incurred.

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

No amounts have been included in the accompanying financial statements for services contributed by volunteers since such services generally do not require specialized skills. Nevertheless, a substantial number of volunteers from the community area donated their time to the Organization.

(k) **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.

(l) **Income taxes**—The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. For the ten months ended June 30, 2015, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax position and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization files tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before August 31, 2012.

(m) **Impairment of long-lived assets**—Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(n) **Use of estimates**—The preparation of 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.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2 – Accounts Receivable:**

Accounts receivable consists of the following at June 30:

	<b>2015</b>
Contracts	\$ 131,660
Medicaid and third party insurance	207,549
Service fees	17,095
	356,304
Allowance for discounts and uncollectible accounts	(113,680)
Accounts receivable - net	\$ 242,624

The organization does not have a policy requiring collateral to support its accounts receivable.

**NOTE 3 – Property and Equipment:**

Property and equipment consists of the following at June 30:

	<b>2015</b>
Land	\$ 69,500
Building and improvements	3,120,723
Furniture, fixtures and equipment	973,865
	4,164,088
Less: Accumulated depreciation	2,082,468
Property and equipment - net	\$ 2,081,620

For the ten months ended June 30, 2015, depreciation expense was \$92,729 which was functionally allocated, based on use, to program services and supporting services.

The Organization reports gifts of land, property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used (Note 1 (j)).

In prior years, the Organization received \$525,000 from the State of Florida for capital improvements. The state has a security interest in the buildings and related improvements associated with the use of these funds, and their interest is equally reduced over a 20-year period ending in the year 2020.

**NOTE 4 – Investments:**

The Organization uses the three level fair value hierarchy established in FASB ASC 820, *Fair Value Measurements and Disclosures*, which prioritizes the inputs to valuation techniques used to measure fair value. The Organization did not hold any marketable securities as of June 30, 2015.

Investment income consisting of interest income totaled \$3,961 for the ten months ended June 30, 2015.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5 – Lines of Credit:**

The Organization maintains three fully collateralized revolving line of credit facilities with three separate banks as follows:

A \$250,000 revolving line of credit secured by a \$250,000 certificate of deposit held by the bank with interest at prime plus 1.00% on the outstanding balances. This credit line is renewable in April 2016. The average interest rate on this line of credit was 4.25% for the ten months ended June 30, 2015. The outstanding balance on this line of credit at June 30, 2015 was \$0-.

A \$250,000 revolving line of credit secured by a \$250,000 certificate of deposit held by the bank with interest at 5.35% on the outstanding balances. This credit line is renewable in August 2016. No funds were borrowed on this line of credit during the ten months ended June 30, 2015.

A \$155,000 revolving line of credit secured by a \$155,000 certificate of deposit held by the bank with interest at prime on the outstanding balances. This credit line is renewable in August 2015. The average interest rate on this line of credit for the ten months ending June 30, 2015 was 3.25%. The outstanding balance on this line of credit at June 30, 2015, was \$0-.

The total availability on the Organizations unused revolving lines of credit at June 30, 2015 was \$655,000.

Total interest expense for the ten months ended June 30, 2015 totaled \$4,301.

**NOTE 6 – Temporarily and Permanently Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<b>2015</b>
Aquatic therapy pool operations	\$ 554,725
Pediatric therapy scholarships	4,194
Endowment scholarship fund	554,695
Residential camping experiences for cardiovascular accident patients	7,756
Fixed assets purchased with restricted funds -- Charter School	1,147
Total temporarily restricted net assets	\$ 1,122,517

Permanently restricted net assets of \$50,000 consist of assets to be held indefinitely with the income from permanently restricted net assets restricted to provide residential camping experiences for cardiovascular accident patients.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6 – Temporarily and Permanently Restricted Net Assets (Continued):**

The Board of Directors approved a temporary loan from the Aqua Therapy Endowment in an amount not to exceed \$59,000 to fund certain building improvements for the Wolfson Lease as explained in Note 7 (b) below and other building improvements to the Organizations facility in Daytona Beach, Florida. The actual amount of the loan in June 2013 was for \$40,633 and partially funded the building improvements. This loan does not have a specific repayment schedule; however, the loan must be repaid during the 5 year term of the Wolfson Lease, including interest the loaned funds would have otherwise earned by June 30, 2018. At June 30, 2015, the inter-fund payable from unrestricted assets on this loan from temporarily restricted assets including accrued interest was \$21,012. Accrued inter-fund interest for the ten months ended June 30, 2015 totaled \$130. No significant interest accrued on this obligation as of June 30, 2015. In June 2015, the Organization repaid \$10,000 of this inter-fund obligation.

**NOTE 7 – Commitments and Contingencies:**

(a) **Operating Lessee Leases** - The Organization leases office space and equipment under noncancelable operating leases expiring through 2020. At June 30, 2015, minimum future rental commitments in excess of one year under noncancelable operating leases were as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$73,578
2017	75,811
2018	12,189
2019	2,790
2020	1,300
	<u>\$165,668</u>

Rent expense was \$78,582 for the ten months ended June 30, 2015.

The Organization leases its Daytona Beach, Florida facility land under an agreement, which began in 1986 and expires in 2076. The lease agreement provides for a nominal annual rental of one dollar. In the opinion of the Organization’s management, the value of the lease in 1986 was immaterial to the financial statements and has not been recorded in the accompanying financial statements.

(b) **Operating Lessor Leases** – During the year ended August 31, 2013, the Organization entered a non-cancelable operating lease with Wolfson Children’s Specialty Center (the Wolfson Lease) effective July 1, 2013 to provide certain office space including medical exam rooms, a patient waiting area and the use of certain common areas included within the Organizations Daytona Beach, Florida facility. The operating lease has a term of five years with an initial monthly base rent of \$3,076. This base rent increases 3% annually each year during the term of the lease.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 – Commitments and Contingencies (continued):**

The Wolfson Lease provided for certain building improvements to be funded by the Organization. The cost of these building improvements was capitalized in the amount of \$45,854 and is being depreciated over a ten year period. Accumulated depreciation on these building improvements as of June 30, 2015 totaled \$9,171.

The following is a schedule by years of the minimum rental income for the Wolfson Lease at June 30, 2015:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 39,159
2017	40,334
2018	41,544
	<u>\$ 121,037</u>

(c) **Capital Lease** - The Organization has entered into a 60 month lease agreement with NEC Financial Services, LLC for telephone equipment. The Organization financed the acquisition of the assets and recorded a corresponding liability. At June 30, 2015, the assets were capitalized as furniture, fixtures and equipment at the present value of the minimum lease payments of \$23,050. The remaining carrying value of this equipment net of accumulated depreciation of \$19,208 as of June 30, 2015 is \$3,842. The following is a schedule for the remaining future minimum lease payments:

<u>Year Ending June 30,</u>	<u>Total Payments Under Capital Lease Obligations</u>
Minimum Lease Payments 2016	\$ 4,815
Imputed Interest	<u>( 199)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,616</u>

Total lease payments for the ten months ended June 30, 2015 totaled \$4,815.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8 – Retirement Plan:**

The Organization provides a 401(k) plan for all eligible employees. Under the plan, the Organization contributes 50% of an employee's contribution up to a maximum of 6% of the employee's compensation. The employer matching contributions are made on a bi-weekly basis to the plan. Employer matching contribution expense totaled \$24,081 for the ten months ended June 30, 2015.

**NOTE 9 – Concentration of Risk:**

Revenues to support the Organization's programs are received primarily from federal, state and local government grants and contracts, and accounts for a significant portion of total support. As a result, the Organization is subject to changes in government funding allocations. In the event these entities discontinue funding the Organization's programs or contracts are not renewed, the Organization would have a difficult time achieving current program goals.

**NOTE 10 – Concentration of Credit Risk:**

The Organization maintains demand deposit, money market and certificates of deposit account balances which exceed the federally insured limits of up to \$250,000 under FDIC protection. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant or likely credit risk on cash and cash equivalents, and certificates of deposit. At June 30, 2015, account balances exceeded federally insured limits by approximately \$440,202.

**NOTE 11 – Donated Services and Materials:**

The Organization recognizes donated services that creates or enhances nonfinancial assets or that require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the ten months ended June 30, 2015, \$17,975 was recorded as donated services and materials revenue. The corresponding expense was recorded among various program and supporting services as shown in the accompanying statement of functional expenses.

**NOTE 12 – Subsequent Events:**

The Organization's management has evaluated subsequent events through September 21, 2015, which is prior to the financial statement availability date of September 23, 2015.

**SUPPLEMENTAL INFORMATION**

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.  
SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE TEN MONTHS ENDED JUNE 30, 2015**

<u>State Agency, Pass-Through Entity, State Project</u>	<u>CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
State Agency Name				
<u>Florida Department of Health</u>				
Developmental Evaluation and Intervention Program and Early Intervention Program for Infants and Children (Early Steps)	MOE (84.181)*	COQVF	\$ 774,802	\$ -
<u>Florida Agency for Persons with Disabilities</u>				
Early Intervention Program for Children who are Suspected of having an Autism Spectrum Disorder	67.034	WCW14	<u>89,376</u>	<u>-</u>
Total Expenditures Of State Financial Assistance			<u>\$ 864,178</u>	<u>\$ -</u>

\*Denotes major project

See accompanying independent auditors' report and  
notes to the schedule of expenditures of state financial assistance.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
FOR THE TEN MONTHS ENDED JUNE 30, 2015**

**NOTE 1 – Basis Of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance includes the state grant activity of Easter Seal Society of Volusia And Flagler Counties, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the Florida Single Audit Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – Type Of Assistance**

All the above assistance was in cash. Additionally, there was no insurance, loans or loan guarantees applicable or outstanding at June 30, 2015 that are required to be reported as expenditures on the Schedule of Expenditures of State Financial Assistance.

See accompanying independent auditor's reports on  
compliance and internal control.

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
STATE PROJECTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2015**

**Summary Of Auditors' Results:**

1. The auditors' report expresses an unqualified opinion on Easter Seal Society of Volusia And Flagler Counties, Inc.'s basic financial statements.
2. No significant deficiencies relating to the audit of the financial statements are reported in this schedule.
3. No instances of noncompliance material to the financial statements of Easter Seal Society of Volusia And Flagler Counties, Inc. which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major state projects are required to be reported in this schedule.
5. The auditors' report on compliance with requirements that could have a direct and material effect on the major state project for Easter Seal Society of Volusia And Flagler Counties, Inc. expresses an unqualified opinion.
6. Our audit disclosed no audit findings that are required to be reported related to State projects required to be disclosed under Chapter 10.656 of the Rules of the Auditor General for the State of Florida.

The project tested as a major state project included:

Developmental Evaluation and Intervention Program and Early Intervention Program for Infants and Children	MOE (84.181)
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7. The threshold used for distinguishing between Type A and B programs for state projects was \$259,253.

**Other Issues:**

1. No management letter is required because there were no findings required to be reported in the management letter.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects.
3. No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

See accompanying independent auditor's reports on  
compliance and internal control.

**INDEPENDENT AUDITOR'S 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 of  
Easter Seal Society of Volusia and Flagler Counties, Inc.

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 Easter Seal Society of Volusia and Flagler Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the ten months then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Easter Seal Society of Volusia and Flagler Counties, 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 Easter Seal Society of Volusia and Flagler Counties, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Easter Seal Society of Volusia and Flagler Counties, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Easter Seal Society of Volusia and Flagler Counties, Inc.'s financial statements are free from 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*.

**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*  
Page Two**

**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.



Olivari & Associates  
Certified Public Accountants And Consultants

Ormond Beach, Florida  
September 21, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133 AND THE FLORIDA SINGLE AUDIT ACT**

To the Board of Directors of  
Easter Seal Society of Volusia and Flagler Counties, Inc.

**Report on Compliance for Each Major State Project**

We have audited Easter Seal Society of Volusia and Flagler Counties, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Projects Compliance Supplement* that could have a direct and material effect on each of Easter Seal Society of Volusia and Flagler Counties, Inc.'s major state projects for the ten months ended June 30, 2015. Easter Seal Society of Volusia and Flagler Counties, Inc.'s major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Easter Seal Society of Volusia and Flagler Counties, Inc.'s major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Florida Single Audit Act. Those standards, OMB Circular A-133, and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Easter Seal Society of Volusia and Flagler Counties, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of Easter Seal Society of Volusia and Flagler Counties, Inc.'s compliance.

***Opinion on Each Major State Project***

In our opinion, Easter Seal Society of Volusia and Flagler Counties, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the ten months ended June 30, 2015.

**Independent Auditors' Report On Compliance  
For Each Major State Project And On Internal  
Control Over Compliance Required By OMB  
Circular A-133 And The Florida Single Audit Act  
Page Two**

**Report on Internal Control Over Compliance**

Management of Easter Seal Society of Volusia and Flagler Counties, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Easter Seal Society of Volusia and Flagler Counties, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Easter Seal Society of Volusia and Flagler Counties, Inc.'s 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 state project 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 state project 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 state project 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133 and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.



Olivari & Associates  
Certified Public Accountants And Consultants

Ormond Beach, Florida  
September 21, 2015