

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2016

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

JUNE 30, 2016

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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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2016, and the changes in its net assets and its cash flows for the year 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 State of Florida Chapter 10.650, *Rules of the Auditor General*, 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, 2016, 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, 2016

EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Assets</u>				
Current assets				
Cash and cash equivalents	\$ 261,315	\$ 307,490	\$ -	\$ 568,805
Accounts receivable, net	402,959	-	-	402,959
Pledges and other receivables	96,958	211	-	97,169
Certificates of deposit	-	891,163	50,000	941,163
Prepaid expenses & other current assets	57,749	-	-	57,749
Total current assets	818,981	1,198,864	50,000	2,067,845
Inter-fund receivable (payable)	(10,633)	10,633	-	-
Property and equipment, net	2,179,587	487	-	2,180,074
Total Assets	\$ 2,987,935	\$ 1,209,984	\$ 50,000	\$ 4,247,919
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable	\$ 284,485	\$ -	\$ -	\$ 284,485
Accrued expenses	178,421	-	-	178,421
Deferred revenue	267,963	83,579	-	351,542
Total current liabilities	730,869	83,579	-	814,448
Total liabilities	730,869	83,579	-	814,448
Net Assets				
Unrestricted:				
Undesignated	76,992	-	-	76,992
Invested in property and equipment, net of related debt	2,180,074	-	-	2,180,074
Temporarily restricted	-	1,126,405	-	1,126,405
Permanently restricted	-	-	50,000	50,000
Total net assets	2,257,066	1,126,405	50,000	3,433,471
Total Liabilities and Net Assets	\$ 2,987,935	\$ 1,209,984	\$ 50,000	\$ 4,247,919

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 YEAR ENDED JUNE 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>Operating revenues and gains</u>				
Public support:				
Contributions	\$ 124,520	\$ 124,502	\$ -	\$ 249,022
Fundraising	93,368	-	-	93,368
Bequests and memorial gifts	91,394	-	-	91,394
Donated services and materials	25,021	-	-	25,021
Total public support	<u>334,303</u>	<u>124,502</u>	<u>-</u>	<u>458,805</u>
Revenue:				
Federal and State grants	1,988,409	-	-	1,988,409
Medicaid	809,719	-	-	809,719
Program service fees and revenue	3,478,748	-	-	3,478,748
Investment income, net	5	4,481	-	4,486
Other income	60,557	-	-	60,557
Inter-fund interest income (expense)	(107)	107	-	-
Total revenue	<u>6,337,331</u>	<u>4,588</u>	<u>-</u>	<u>6,341,919</u>
Net assets released from restrictions	<u>125,202</u>	<u>(125,202)</u>	<u>-</u>	<u>-</u>
Total operating revenues and gains	<u>6,796,836</u>	<u>3,888</u>	<u>-</u>	<u>6,800,724</u>
<u>Operating expenses</u>				
Program services:				
Public health and education	84,157	-	-	84,157
Professional education and training	16,831	-	-	16,831
Direct services	6,113,198	-	-	6,113,198
Total program services	<u>6,214,186</u>	<u>-</u>	<u>-</u>	<u>6,214,186</u>
Supporting services:				
Management and general	456,332	-	-	456,332
Fundraising	67,326	-	-	67,326
Membership	37,226	-	-	37,226
Total program and supporting services	<u>6,775,070</u>	<u>-</u>	<u>-</u>	<u>6,775,070</u>
Increase (decrease) in net assets	21,766	3,888	-	25,654
Net assets, beginning of year	<u>2,235,300</u>	<u>1,122,517</u>	<u>50,000</u>	<u>3,407,817</u>
Net assets, end of year	<u>\$ 2,257,066</u>	<u>\$ 1,126,405</u>	<u>\$ 50,000</u>	<u>\$ 3,433,471</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	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	\$ 62,376	\$ 12,475	\$ 3,747,165	\$ 3,822,016	\$ 333,799	\$ 49,901	\$ -	\$ 4,205,716
Professional fees	8,151	1,630	1,667,074	1,676,855	26,916	6,521	-	1,710,292
Supplies	556	111	186,680	187,347	6,948	445	-	194,740
Telecommunications	189	38	38,113	38,340	1,724	151	-	40,215
Postage and shipping	690	138	9,303	10,131	792	552	-	11,475
Occupancy	1,593	319	193,048	194,960	17,645	1,275	-	213,880
Small equipment and maintenance	52	10	14,659	14,721	12,853	41	-	27,615
Printing and publications	3,589	718	1,754	6,061	4,400	2,871	-	13,332
Membership fees	-	-	-	-	-	-	37,226	37,226
Travel	116	23	72,241	72,380	806	93	-	73,279
Conferences and meetings	473	95	11,800	12,368	8,819	378	-	21,565
Specific assistance	3,571	714	1,213	5,498	-	2,857	-	8,355
Interest	43	9	4,910	4,962	868	34	-	5,864
Donated services and materials	-	-	10,565	10,565	14,456	-	-	25,021
Bad debt expense	-	-	4,040	4,040	-	-	-	4,040
Other	1,323	264	11,104	12,691	3,570	1,059	-	17,320
Depreciation	898	180	103,609	104,687	18,209	718	-	123,614
Insurance	537	107	35,920	36,564	4,527	430	-	41,521
	<u>84,157</u>	<u>16,831</u>	<u>6,113,198</u>	<u>6,214,186</u>	<u>456,332</u>	<u>67,326</u>	<u>37,226</u>	<u>6,775,070</u>
Allocation of Management and general	6,833	1,367	442,666	450,866	(456,332)	5,466	-	-
Total program and supporting services expenses	<u>\$ 90,990</u>	<u>\$ 18,198</u>	<u>\$ 6,555,864</u>	<u>\$ 6,665,052</u>	<u>\$ -</u>	<u>\$ 72,792</u>	<u>\$ 37,226</u>	<u>\$ 6,775,070</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 YEAR ENDED JUNE 30, 2016

	2016
Cash flows from operating activities	
Change in net assets	\$ 25,654
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	123,614
Bad debt expense- net of recoveries	4,040
Provision for Medicaid and third party insurance discounts	(467)
<i>(Increase) decrease in certain assets:</i>	
Accounts receivable	(163,908)
Pledges and other receivables	1,572
Prepaid expenses and other current assets	(9,607)
<i>Increase (decrease) in certain liabilities:</i>	
Accounts payable	111,226
Accrued expenses	(91,711)
Deferred revenue	97,697
Total adjustments	72,456
Net cash provided by operating activities	98,110
Cash flows from investing activities	
Purchases of certificates of deposit	(691,034)
Proceeds from maturity of certificates of deposit	690,566
Purchases of property and equipment	(222,067)
Net cash used in investing activities	(222,535)
Cash flows from financing activities	
Proceeds from line of credit borrowings	3,255,000
Principal payments on line of credit borrowings	(3,255,000)
Principal payments on capital lease obligation	(4,616)
Net cash used in financing activities	(4,616)
Net decrease in cash and cash equivalents	(129,041)
Cash and cash equivalents, beginning of period	697,846
Cash and cash equivalents, end of period	\$ 568,805
Supplemental disclosure of cash flow information	
Cash paid during the period for interest	\$ 6,253

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, 2016

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 with the sponsoring school district, which is the Volusia County School Board, 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.

(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 revenue 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, temporarily restricted, and permanently restricted net assets.

EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the Organization had \$3,400 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, 2016

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, 2016.

(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 consist mainly of accounts receivable and accounts payable. 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, 2016 and for the year ended June 30, 2016, 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. 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 is 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, 2016

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 year ended June 30, 2016, 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, 2013. The Organization changed its fiscal year from August 31 to June 30 effective June 30, 2015.

(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, 2016

NOTE 2 – Accounts Receivable:

Accounts receivable consists of the following at June 30:

	2016
Contracts	\$ 311,929
Medicaid and third party insurance	147,207
Service fees	25,323
	484,459
Allowance for discounts and uncollectible accounts	(81,500)
Accounts receivable – net	\$ 402,959

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:

	2016
Land	\$ 69,500
Building and improvements	3,123,182
Furniture, fixtures and equipment	1,172,025
	4,364,707
Less: Accumulated depreciation	2,184,633
Property and equipment - net	\$ 2,180,074

For the year ended June 30, 2016, depreciation expense was \$123,614 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, 2016.

Investment income consisting of interest income totaled \$4,486 for the year ended June 30, 2016.

EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 September 2016. The average interest rate on this line of credit was approximately 4.50% for the year ended June 30, 2016. The outstanding balance on this line of credit at June 30, 2016 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 year ended June 30, 2016.

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 2016. The average interest rate on this line of credit for the year ending June 30, 2016 was approximately 3.50%. The outstanding balance on this line of credit at June 30, 2016, was \$-0-.

The total availability on the Organizations unused revolving lines of credit at June 30, 2016 was \$655,000.

Total interest expense for the year ended June 30, 2016 totaled \$5,864.

NOTE 6 – Temporarily and Permanently Restricted Net Assets:

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

	2016
Aquatic therapy pool operations	\$ 558,068
Pediatric therapy scholarships	4,194
Endowment scholarship fund	555,680
Residential camping experiences for cardiovascular accident patients	7,976
Fixed assets purchased with restricted funds – Charter School	487
Total temporarily restricted net assets	\$ 1,126,405

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, 2016

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 above 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, 2016, the inter-fund payable from unrestricted assets on this loan from temporarily restricted assets including accrued interest was \$10,633. Accrued inter-fund interest for the year ended June 30, 2016 totaled \$107.

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, 2016, 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>
2017	\$118,403
2018	13,479
2019	3,471
2020	1,300
	<u>\$136,653</u>

Rent expense was \$102,632 for the year ended June 30, 2016.

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** – The Organization entered into 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, 2016

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, 2016 totaled \$13,756.

The following is a schedule by years of the minimum rental income for the Wolfson Lease at June 30, 2016:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 40,334
2018	41,544
	<u>\$ 81,878</u>

(c) **Capital Lease** - The Organization completed a 60 month lease agreement with NEC Financial Services, LLC (NEC) for telephone equipment. This lease ended in April of 2016 with the return of the telephone equipment back to NEC. This equipment had a capitalized cost of \$23,050 and was fully depreciated as of April 2016.

Total lease payments for the year ended June 30, 2016 totaled \$4,815 including imputed interest of \$199.

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 \$32,583 for the year ended June 30, 2016.

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 revenues. 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.

EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, account balances exceeded federally insured limits by approximately \$307,331.

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 year ended June 30, 2016, \$25,021 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, 2016, which is prior to the financial statement availability date of September 22, 2016.

SUPPLEMENTAL INFORMATION

**EASTER SEAL SOCIETY OF VOLUSIA AND FLAGLER COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2016**

<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	\$ 1,561,427	\$ -
Total Expenditures Of State Financial Assistance			<u>\$ 1,561,427</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 YEAR ENDED JUNE 30, 2016

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 State of Florida Chapter 10.650, *Rules of the Auditor General*. 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, 2016 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 YEAR ENDED JUNE 30, 2016**

Summary Of Auditors' Results:

1. The auditors' report expresses an unmodified 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 unmodified 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 \$300,000.

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

To the Board of Directors 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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2016.

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.

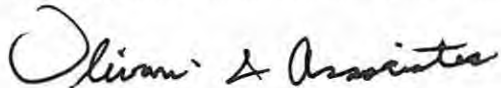
Compliance and Other Matters

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, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

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 *Department of Financial Services' 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 year ended June 30, 2016. Easter Seal Society of Volusia and Flagler Counties, Inc.'s major state projects are identified in the summary of auditor's 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; and Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General, 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 year ended June 30, 2016.

**Independent Auditors' Report On Compliance
For Each Major State Project And Report On
Internal Control Over Compliance Required By
Chapter 10.650, Rules Of The Auditor General
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 Chapter 10.650, Rules of the Auditor General, 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 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 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 the Chapter 10.650, Rule of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Olivari & Associates
Certified Public Accountants And Consultants

Ormond Beach, Florida
September 21, 2016