

**EASTER SEALS
SOUTHWEST FLORIDA, INC.**

FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

**EASTER SEALS SOUTHWEST FLORIDA, INC.
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4 - 5
STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 22
OTHER SUPPLEMENTARY INFORMATION:	
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	23
OTHER AUDITOR'S REPORTS:	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24 - 25
INDEPENDENT AUDITOR'S ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL	26 - 27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS	28 - 29



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Easter Seals Southwest Florida, Inc.
Sarasota, Florida**

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals Southwest Florida, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audit of the August 31, 2019 financial statements in accordance with auditing standards generally accepted in the United States of America. We conducted our audit of the August 31, 2020 financial statements 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; and Chapter 10.650, Rules of the Auditor General of the State of Florida. 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 Organization'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 Organization'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.

- 1 -

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Southwest Florida, Inc. as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

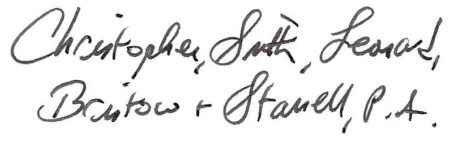
Other Matters

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 the Florida Single Audit Act, and Chapter 10.650, Rules of the Auditor General of the State of Florida, 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 May 25, 2021, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.


CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

May 25, 2021
Bradenton, Florida

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31,

ASSETS

	2020	2019
Cash and cash equivalents	\$ 1,003,427	\$ 28,915
Investments	203,183	184,334
Interest in net assets of Foundation	4,430,066	4,007,538
Accounts receivable, net	1,014,984	683,297
Due from Foundation	-	2,053
Prepaid expenses	266,048	129,117
Deposits	4,692	4,692
Remainder trusts receivable	89,286	182,373
Property, plant and equipment, net	1,450,743	1,576,779
TOTAL ASSETS	\$ 8,462,429	\$ 6,799,098

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 194,125	\$ 235,136
Other accrued expenses	320,357	317,858
Due to Foundation	177,431	133,527
Deferred revenue	688,044	1,017
Note payable	159,900	-
Total Liabilities	1,539,857	687,538
Net Assets		
Without donor restrictions	2,981,558	2,294,158
With donor restrictions	3,941,014	3,817,402
Total Net Assets	6,922,572	6,111,560
TOTAL LIABILITIES AND NET ASSETS	\$ 8,462,429	\$ 6,799,098

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
Revenues, Gains and Other Support			
Contributions	\$ 2,115,608	\$ -	\$ 2,115,608
Special events	401,719	-	401,719
Less direct expenses	(33,002)	-	(33,002)
Program revenue	4,955,469	-	4,955,469
Investment income (loss)	7,961	-	7,961
Change in value of split interest agreement	-	46,027	46,027
Gain (Loss) on disposal of assets	(650)	-	(650)
Other income	5,420	-	5,420
Net assets released from restrictions			
Satisfaction of program restrictions	149,217	(149,217)	-
Appropriation from donor endowment and satisfaction of donor restrictions	6,680	(6,680)	-
Total net assets released from restrictions	155,897	(155,897)	-
Total Revenues, Gains and Other Support	<u>7,608,422</u>	<u>(109,870)</u>	<u>7,498,552</u>
Expenses			
Program services	6,405,620	-	6,405,620
Fundraising	460,139	-	460,139
Management and General	201,549	-	201,549
	<u>7,067,308</u>	<u>-</u>	<u>7,067,308</u>
Payments to Easter Seals National	42,760	-	42,760
Total Expenses	<u>7,110,068</u>	<u>-</u>	<u>7,110,068</u>
Change in net assets before adjustment for interest in Foundation	498,354	(109,870)	388,484
Adjustment for change in interest in net assets of Foundation	<u>189,046</u>	<u>233,482</u>	<u>422,528</u>
Change in net assets	687,400	123,612	811,012
Net assets at beginning of year	<u>2,294,158</u>	<u>3,817,402</u>	<u>6,111,560</u>
Net assets at end of year	<u>\$ 2,981,558</u>	<u>\$ 3,941,014</u>	<u>\$ 6,922,572</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
Revenues, Gains and Other Support			
Contributions	\$ 1,239,523	\$ -	\$ 1,239,523
Special events	524,500	-	524,500
Less direct expenses	(91,822)	-	(91,822)
Program revenue	3,560,644	-	3,560,644
Contributions from Foundation	450,000	-	450,000
Investment income (loss)	667	-	667
Change in value of split interest agreement	-	(7,500)	(7,500)
Gain (Loss) on disposal of assets	(33,475)	-	(33,475)
Other income	10,864	-	10,864
Net assets released from restrictions			
Satisfaction of program restrictions	48,042	(48,042)	-
Appropriation from donor endowment and satisfaction of donor restrictions	5,362	(5,362)	-
Total net assets released from restrictions	<u>53,404</u>	<u>(53,404)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>5,714,305</u>	<u>(60,904)</u>	<u>5,653,401</u>
Expenses			
Program services	4,998,744	-	4,998,744
Fundraising	491,779	-	491,779
Management and General	121,638	-	121,638
	<u>5,612,161</u>	<u>-</u>	<u>5,612,161</u>
Payments to Easter Seals National	45,625	-	45,625
Total Expenses	<u>5,657,786</u>	<u>-</u>	<u>5,657,786</u>
Change in net assets before adjustment for interest in Foundation	56,519	(60,904)	(4,385)
Adjustment for change in interest in net assets of Foundation	<u>(432,153)</u>	<u>(255,781)</u>	<u>(687,934)</u>
Change in net assets	(375,634)	(316,685)	(692,319)
Net assets at beginning of year	<u>2,669,792</u>	<u>4,134,087</u>	<u>6,803,879</u>
Net assets at end of year	<u>\$ 2,294,158</u>	<u>\$ 3,817,402</u>	<u>\$ 6,111,560</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	FAMILY SUPPORT SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 1,093,185	\$ 1,630,170	\$ 73,518	\$ 1,132,249
Benefits	157,474	163,026	12,722	117,960
Payroll taxes	81,820	121,548	5,788	82,292
Total personnel expenses	1,332,479	1,914,744	92,028	1,332,501
Advertising	64	1,675	2	25
Contributions expense	32,871	49,938	2,271	34,802
Bad debts	-	-	-	5,064
Contract labor	-	-	-	-
Dues and subscriptions	1,061	9,716	64	3,539
Equipment expense	6,673	3,559	9	12,714
Inkind expense	-	-	-	12,413
Insurance	36,913	1,032	47	719
License, fees and taxes	3,786	3,545	196	5,557
Office expense	11,252	4,740	200	5,415
Other expenses	10,187	12,292	4,441	59,961
Professional fees	89,604	219,901	3,996	95,608
Properties	201,367	112,939	8,314	242,303
Rent	32,682	174	-	-
Repairs and maintenance	1,439	-	176	18,307
Supplies	27,549	21,829	2,044	46,198
Telephone	5,342	11,522	440	2,877
Transportation	37,160	17,060	11	2,647
Travel and Training	764	6,051	69	5,021
Total non-personnel expenses	498,714	475,973	22,280	553,170
Total expenses before depreciation	1,831,193	2,390,717	114,308	1,885,671
Depreciation expense	91,535	51,344	3,780	37,072
TOTAL EXPENSES	\$ 1,922,728	\$ 2,442,061	\$ 118,088	\$ 1,922,743

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2020 TOTALS
\$ 3,929,122	\$ 200,480	\$ 56,395	\$ 256,875	\$ 4,185,997
451,182	32,279	7,635	39,914	491,096
291,448	18,772	4,697	23,469	314,917
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4,671,752	251,531	68,727	320,258	4,992,010
1,766	18,774	21	18,795	20,561
119,882	-	28,875	28,875	148,757
5,064	-	-	-	5,064
-	-	-	-	-
14,380	8,498	811	9,309	23,689
22,955	396	115	511	23,466
12,413	26,805	-	26,805	39,218
38,711	-	597	597	39,308
13,084	757	1,936	2,693	15,777
21,607	3,497	1,013	4,510	26,117
86,881	10,177	2,276	12,453	99,334
409,109	104,042	46,872	150,914	560,023
564,923	19,401	30,758	50,159	615,082
32,856	-	-	-	32,856
19,922	-	-	-	19,922
97,620	-	4,846	4,846	102,466
20,181	579	292	871	21,052
56,878	3,596	139	3,735	60,613
11,905	3,267	289	3,556	15,461
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1,550,137	199,789	118,840	318,629	1,868,766
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6,221,889	451,320	187,567	638,887	6,860,776
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183,731	8,819	13,982	22,801	206,532
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\$ 6,405,620	\$ 460,139	\$ 201,549	\$ 661,688	\$ 7,067,308

The accompanying notes are an integral part of these financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	FAMILY SUPPORT SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 1,044,261	\$ 1,033,520	\$ 109,936	\$ 851,225
Benefits	141,577	113,460	16,777	110,583
Payroll taxes	82,137	80,622	9,340	67,124
Total personnel expenses	1,267,975	1,227,602	136,053	1,028,932
Advertising	-	-	-	-
Bad debts	-	-	-	-
Contract labor	-	-	-	-
Dues and subscriptions	739	3,437	83	1,527
Equipment expense	1,889	820	4	9,866
Inkind expense	1,346	-	-	2,598
Insurance	31,937	898	99	739
License, fees and taxes	3,481	2,422	257	4,468
Office expense	3,129	5,114	421	4,188
Other expenses	14,926	7,501	470	62,250
Professional fees	65,293	150,366	9,749	88,071
Properties	212,085	49,716	3,618	123,886
Rent	-	-	-	4,212
Repairs and maintenance	41,867	58	-	2,075
Supplies	29,540	16,477	19,603	71,481
Telephone	5,071	9,200	240	1,837
Transportation	28,106	-	-	3,170
Travel and Training	5,225	52,694	1,182	8,371
Total non-personnel expenses	444,634	298,703	35,726	388,739
Total expenses before depreciation	1,712,609	1,526,305	171,779	1,417,671
Depreciation expense	94,283	21,758	1,577	52,762
TOTAL EXPENSES	\$ 1,806,892	\$ 1,548,063	\$ 173,356	\$ 1,470,433

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2019 TOTALS
\$ 3,038,942	\$ 150,490	\$ 41,150	\$ 191,640	\$ 3,230,582
382,397	25,086	7,204	32,290	414,687
239,223	15,703	3,865	19,568	258,791
3,660,562	191,279	52,219	243,498	3,904,060
-	32,918	-	32,918	32,918
-	-	-	-	-
-	-	-	-	-
5,786	1,488	539	2,027	7,813
12,579	613	14	627	13,206
3,944	88,593	-	88,593	92,537
33,673	-	703	703	34,376
10,628	316	1,615	1,931	12,559
12,852	12,180	1,967	14,147	26,999
85,147	6,305	248	6,553	91,700
313,479	134,272	37,518	171,790	485,269
389,305	7,030	17,919	24,949	414,254
4,212	123	-	123	4,335
44,000	-	-	-	44,000
137,101	-	-	-	137,101
16,348	540	463	1,003	17,351
31,276	-	-	-	31,276
67,472	13,040	582	13,622	81,094
1,167,802	297,418	61,568	358,986	1,526,788
4,828,364	488,697	113,787	602,484	5,430,848
170,380	3,082	7,851	10,933	181,313
\$ 4,998,744	\$ 491,779	\$ 121,638	\$ 613,417	\$ 5,612,161

The accompanying notes are an integral part of these financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Collections from consumers	\$ 4,226,660	\$ 3,202,039
Operating expenses paid	(6,641,988)	(5,158,699)
Interest received	3,617	5,069
Other income received	3,189,950	2,128,449
Net cash provided by (used in) operating activities	<u>778,239</u>	<u>176,858</u>
Cash flow from investing activities		
(Purchases) of buildings and equipment	(81,146)	(358,498)
Proceeds from remainder trust	139,114	-
Sales of investments, net	(21,595)	(42,868)
Net cash provided by (used in) investing activities	<u>36,373</u>	<u>(401,366)</u>
Cash flow from financing activities		
Proceeds from debt	159,900	-
Net cash provided by (used in) financing activities	<u>159,900</u>	<u>-</u>
Net Increase (Decrease) in cash and cash equivalents	974,512	(224,508)
Cash and cash equivalents, Beginning of year	<u>28,915</u>	<u>253,423</u>
Cash and cash equivalents, End of year	<u>\$ 1,003,427</u>	<u>\$ 28,915</u>
Reconciliation of changes in net assets to net cash from operating activities:		
Change in Net Assets	\$ 811,012	\$ (692,319)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	206,532	181,313
(Gain)/loss on disposal of assets	650	33,475
Bad debt	397,122	-
Unrealized (gain)/loss on investments	2,746	7,871
Change in value of split interest agreements	(46,027)	7,500
Change in net assets of foundation	(422,528)	687,934
In-Kind donation, net	-	(15,000)
(Increase) in assets:		
Accounts receivable	(728,809)	(358,605)
Prepaid expenses	(136,931)	(34,133)
Due from Foundation	2,053	(633)
Increase (decrease) in liabilities:		
Accounts payable	(41,011)	122,741
Other accrued expenses	2,499	103,154
Deferred revenue	687,027	33
Due to Foundation	43,904	133,527
Net cash provided by (used in) operating activities	<u>\$ 778,239</u>	<u>\$ 176,858</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Easter Seals Southwest Florida, Inc., (the Organization) is a not-for-profit Organization located in Manatee and Sarasota counties. The Organization creates solutions that change lives for children, adults and families through high quality therapeutic, educational and support services. The Organization offers various programs in achieving its mission, including: day and employment services, community living, early child development, rehabilitation, and Community Services. The Organization is primarily supported through program revenue and contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash and cash equivalents. Cash and money market funds held with investment accounts are not considered a cash equivalent.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

The Organization reports its investments at fair market value in accordance with generally accepted accounting principles. Investment income is reported as net assets without donor restrictions or net assets with donor restrictions depending on if any donor restrictions are present. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable includes both accounts and contracts receivable. Accounts receivable consists of billings to individuals, state agencies, insurance companies, and other third parties. Contracts receivable consists of billings based on contracts with various agencies and organizations to provide rehabilitative, development and child care services. Accounts receivable are recorded at the net realizable value at year end.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable – Continued

The Organization uses the allowance method to account for uncollectible receivables. The allowance is estimated based on historical experience and currently known facts and circumstances of specific accounts. An allowance for doubtful accounts has been established for accounts receivable at August 31, 2020 and 2019 in the amount of \$28,664.

Bequests Receivable

Bequests are recorded at the date the Organization receives irrevocable notice of its interest in an estate and after the probate court declares a will to be valid. Bequests are recognized as a contribution and a receivable at the fair value interest in the estate.

Remainder Trust Receivable

The Organization has been named the remainderman in various irrevocable charitable remainder trusts. The Organization records a receivable in the amount of the expected benefit upon receiving notification of a legally enforceable benefit. The Organization's beneficial interest in the trust's assets is measured at the present value of the estimated distributions that are expected to be received in the future, which may also be estimated using the fair value of the Organization's interest in the remainder trust's assets at year end. The discount rate utilized to measure the present value of future distributions is based upon the stated rate of return to be received by the designated life income beneficiaries included in the trust's terms.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost if purchased, and estimated fair value if donated. The Organization's capitalization policy is to capitalize all items of \$500 or more with an estimated useful life of more than one year. Buildings and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 4 to 40 years. Depreciation expense for the years ended August 31, 2020 and 2019 was \$206,532 and \$181,313, respectively. Repair and maintenance costs are expensed as incurred.

Net Assets

Net assets of the Organization consist of the following:

- Net assets without donor restrictions: Net assets that are available for general activities and obligations of the Organization.
- Net assets with donor restrictions: Net assets that are restricted by donors to be used for donor-specified uses, and a portion of the interest in net assets of the Foundation. This classification also includes net assets held in perpetuity as restricted by donors that cannot be used by the Organization with the exception of income and capital gains which are treated as net assets without donor restrictions upon appropriation.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$20,561 in 2020 and \$32,918 in 2019.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received.

Contributions received are recorded as either changes in net assets without donor restrictions, or depending on the existence and/or nature of any donor restrictions, changes in net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

Program Revenue

Program revenue includes those revenue items earned from providing services to clients in the ordinary course of business by the Organization. Those revenues are recognized at the time of service and recorded at the amount the Organization expects to collect.

Grant and Contract Revenue

The Organization enters into reimbursement based and fixed-price performance based contracts. Revenue is recognized as expenses are incurred related to reimbursement based contracts. Revenue is recognized as the related activity occurs to achieve the purpose of the fixed-price performance based contract.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements. The Organization adopted guidance issued by the FASB on accounting for uncertainty in tax positions. Management believes the Organization has no material unrecognized income tax liabilities, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state, or local tax audits; however, the Organization's tax returns for the three previous fiscal years remain open to examination.

Donated Assets and Services

Donated assets are recorded at their estimated fair market value at the date of donation. Donated assets and services in the amount of \$39,219 and \$92,537 have been recognized as a revenue and an expense during the years ended August 31, 2020 and 2019, respectively. The donated assets include goods, such as food, and services

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets and Services – Continued

received in conjunction with programs and special events. In addition, in 2019, the Organization recognized an additional \$15,000 of revenue related to donated fixed assets.

In addition, a substantial number of volunteers have donated their time to assist the Organization with its program services and fundraising campaigns. These services have not been recorded in the financial statements since an objective basis is not available to measure the value of such services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on relative benefit provided.

The operating expenses are allocated on a square-footage basis. Salaries and related benefits are allocated on the basis of estimates of time and effort.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy used to measure fair value are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Change in Accounting Principle

During 2019, the Organization implemented Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU changes the presentation of net assets from three classifications (unrestricted, temporarily restricted and permanently restricted) to two classifications (net assets without donor restrictions and net assets with donor restrictions). The ASU also enhances several financial statement disclosures. The adoption of ASU 2016-14 did not have an impact on the Organization's net assets.

NOTE B – INVESTMENTS

Investments were as follows:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
<u>AUGUST 31, 2020</u>			
Without donor restriction	\$ 86,780	\$ 86,780	\$ -0-
With donor restriction	100,372	116,403	16,031
Total	<u>\$ 187,152</u>	<u>\$ 203,183</u>	<u>\$ 16,031</u>

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
<u>AUGUST 31, 2019</u>			
Without donor restriction	\$ 5,792	\$ 61,250	\$ 55,458
With donor restriction	110,744	123,084	12,340
Total	<u>\$ 116,536</u>	<u>\$ 184,334</u>	<u>\$ 67,798</u>

Investments consist of the following at August 31,:

	<u>2020 FAIR MARKET VALUE</u>	<u>2019 FAIR MARKET VALUE</u>
Money market funds	\$ 88,413	\$ 2,186
Common stock:		
Healthcare	-0-	52,183
Industrial	-0-	9,067
Mutual funds:		
Corporate bond funds	70,320	78,455
Stock funds	38,214	33,836
Commodities	1,516	3,787
Real estate	4,720	4,820
Total	<u>\$ 203,183</u>	<u>\$ 184,334</u>

Investment income (loss) is comprised of the following amounts at August 31,:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 3,617	\$ 5,069
Realized gains (losses) on investments	7,090	3,469
Unrealized gains (losses) on investments	(2,746)	(7,871)
Total	<u>\$ 7,961</u>	<u>\$ 667</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

Fair Value Measurements

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at August 31, 2020 and 2019 are as follows:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Short-term Money Market	\$ -0-	\$ 88,413	\$ -0-	\$ 88,413
Common Stock				
Healthcare	-0-	-0-	-0-	-0-
Industrial	-0-	-0-	-0-	-0-
Equities				
Large Cap	19,429	-0-	-0-	19,429
Mid Cap	3,333	-0-	-0-	3,333
Small Cap	1,931	-0-	-0-	1,931
International	-0-	13,521	-0-	13,521
Commodities	-0-	1,516	-0-	1,516
Real Estate Funds	4,720	-0-	-0-	4,720
Fixed Income				
Corporate/Government	-0-	70,320	-0-	70,320
Interest in net assets of Foundation	-0-	-0-	4,430,066	4,430,066
Interest in reminder trusts	-0-	-0-	89,286	89,286
Totals	<u>\$ 29,413</u>	<u>\$ 173,770</u>	<u>\$ 4,519,352</u>	<u>\$ 4,722,535</u>
	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Short-term Money Market	\$ -0-	\$ 2,186	\$ -0-	\$ 2,186
Common Stock				
Healthcare	52,183	-0-	-0-	52,183
Industrial	9,067	-0-	-0-	9,067
Equities				
Large Cap	16,195	-0-	-0-	16,195
Mid Cap	2,473	-0-	-0-	2,473
Small Cap	1,207	-0-	-0-	1,207
International	-0-	13,961	-0-	13,961
Commodities	-0-	3,787	-0-	3,787
Real Estate Funds	4,820	-0-	-0-	4,820
Fixed Income				
Corporate/Government	-0-	78,455	-0-	78,455
Interest in net assets of Foundation	-0-	-0-	4,007,538	4,007,538
Interest in reminder trusts	-0-	-0-	182,373	182,373
Totals	<u>\$ 85,945</u>	<u>\$ 98,389</u>	<u>\$ 4,189,911</u>	<u>\$ 4,374,245</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2020 and 2019.

Short-term money market funds:

The money market funds are valued at amortized cost, which approximates fair market value. Money market funds seek to preserve a value of \$1.00 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

Equities and Commodities:

Equities and commodities are valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income:

Fixed income funds are valued at the closing price reported in the active market in which the bonds are traded. Other fixed income/bond funds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual and Real Estate Funds:

Mutual and real estate funds are valued based on the fair value of shares held at year end. The mutual funds may also be valued as determined by an independent pricing service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity, and type; indications as to values from dealers; and general market conditions.

Interest in Net Assets of the Foundation:

Interest in net assets of the Foundation is measured at the fair value of the Organization's interest in the net assets of the Foundation at year end. The Foundation holds short-term money market funds, equity securities, and equity and fixed income traded funds. The Foundation also has beneficial interests in perpetual trusts, which are recorded at the fair value of the underlying investments of the trusts multiplied by the Foundation's interest in the trusts.

Interest in the Remainder Trusts:

The interest in the remainder trusts are measured at the fair value of the Organization's beneficial interest in the trust's assets as determined by the present value of the estimated distributions that are expected to be received in the future, which also estimates the fair value of the Organization's interest in the remainder trust's assets at year end. The Organization calculates its interest by considering the age of the remainder-man and using a discount rate for expected future distributions multiplied by fair value of the assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth a summary of the changes in fair value of the assets classified as Level 3 on a recurring basis:

<u>Interest in Net Assets of Foundation</u>	<u>8/31/20</u>	<u>8/31/19</u>
Beginning Balance	\$ 4,007,538	\$ 4,695,472
Change in value of interest in net assets of Foundation	<u>422,528</u>	<u>(687,934)</u>
Ending Balance	<u>\$ 4,430,066</u>	<u>\$ 4,007,538</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

<u>Interest in Remainder Trusts</u>	<u>8/31/20</u>	<u>8/31/19</u>
Beginning Balance	\$ 182,373	\$ 189,873
Distributions received	(139,114)	-0-
Change in value of interest in remainder Trusts	<u>46,027</u>	<u>(7,500)</u>
Ending Balance	<u><u>\$ 89,286</u></u>	<u><u>\$ 182,373</u></u>

NOTE C – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at August 31, 2020 and 2019:

	<u>2020</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Land	\$ 510,671	\$ -0-	\$ 510,671
Land improvements	283,418	241,548	41,870
Buildings and improvements	2,996,607	2,466,797	529,810
Vehicles	745,308	515,315	229,993
Construction in progress	-0-	-0-	-0-
Furniture, fixtures and equipment	552,973	417,914	135,059
Software	4,811	1,471	3,340
Total	<u><u>\$ 5,093,788</u></u>	<u><u>\$ 3,643,045</u></u>	<u><u>\$ 1,450,743</u></u>
	<u>2019</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 510,671	\$ -0-	\$ 510,671
Land improvements	283,418	235,755	47,663
Buildings and improvements	2,983,860	2,403,173	580,687
Vehicles	742,000	429,394	312,606
Construction in Progress	-0-	-0-	-0-
Furniture, fixtures and equipment	493,793	368,641	125,152
Total	<u><u>\$ 5,013,742</u></u>	<u><u>\$ 3,436,963</u></u>	<u><u>\$ 1,576,779</u></u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specified purposes:		
Charitable remainder trusts	\$ 89,286	\$ 182,373
Interest in net assets of Foundation	<u>10,490</u>	<u>10,104</u>
	<u>\$ 99,776</u>	<u>\$ 192,477</u>
Subject to spending policy and appropriation:		
Investment in perpetuity (Endowment Fund)	\$ 116,403	\$ 123,083
Interest in net assets of Foundation	<u>3,724,835</u>	<u>3,501,842</u>
	<u>\$ 3,841,238</u>	<u>\$ 3,624,925</u>

In the statement of financial position, net assets with donor restrictions are included in cash and cash equivalents, charitable remainder trusts, investments, and in interest net assets of Foundation.

Net assets were released from donor restrictions by incurring expense satisfying the restricted purposes or by occurrence of passage of time or other events specified by donors during the years ended August 31, 2020 and 2019 in the amount of \$139,113 and \$53,404, respectively.

NOTE E – ENDOWMENT

The Organization has an endowment fund which includes donor restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment is included in net assets with donor restrictions based on donor imposed restrictions on the principal balance. Income from the endowment is distributed and used in accordance with the endowment document. Investment income is appropriated for distribution pursuant to the document and as such, is included as part of the net assets without donor restrictions, unless required to be retained as part of the restricted endowment.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Distributions of principal in excess of earnings are allowed pursuant to the document. As a result of this interpretation, the Organization classified as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the

**EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE E – ENDOWMENT – CONTINUED

permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, net of any distributions in excess of earnings.

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policies of the Organization

Investment Policies

The Organization's overall investment policy covers the endowment fund. The Organization manages contributions in a manner that will maximize the benefit intended by the donor, produce income to support the work of the Organization, and achieve growth of principal value sufficient to increase the purchasing power of the assets over time. Secondly, the objective is to maintain a sufficient degree of flexibility to meet the changing environment.

Assets are diversified to insure that adverse results from any one security or securities will not have a detrimental impact on the entire portfolio. Asset allocation is an important tool to achieve desired results. The decision on how to allocate assets is based on the needs and circumstances during any period of time.

The following risk parameters are in place:

	Percent of Total Fund		
	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash and cash equivalents	5%	5%	10%
Equities	30%	55%	75%
Fixed Income	25%	30%	70%
Alternatives (e.g. hedging, managed futures, private equity)	5%	10%	15%

In addition, no more than 10% may be concentrated in equities or a fixed income strategy of a single company or 15% in the same industry. Investments in any one company may not exceed 5% of its common shares outstanding. All fixed income issues shall be investment grade or better as rated by S&P or Moodys.

Strategies, Objectives and Spending Policies

All of the investment objectives and strategies are in place to achieve the Organization's mission. Distributions are in accordance with the endowment document and considers both the short and long-term expected returns of the endowment fund. Overall, the Board's policy is to protect and preserve the assets and

**EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE E – ENDOWMENT – CONTINUED

appropriate amounts necessary and allowable in accordance with the terms of the endowment document.

The Board appropriates spending through the budget process. The investment policy contemplates a distribution of approximately 10% of the average asset market values for the most recent three fiscal years.

For the year ended August 31, 2020, the Organization had the following donor-restricted endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -0-	\$ 116,403	\$ 116,403

The Endowment consists of the following at August 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ -0-	\$ 123,083	\$ 123,083
Investment return:			
Net income	-0-	3,317	3,317
Net appreciation	-0-	5,105	5,105
Current year distributions	-0-	(13,910)	(13,910)
Amounts appropriated for expenditures	-0-	(1,192)	(1,192)
Total	\$ -0-	\$ 116,403	\$ 116,403

For the year ended August 31, 2019, the Organization had the following donor-restricted endowment-related activities:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -0-	\$ 123,083	\$ 123,083

The Endowment consists of the following at August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 5,018	\$ 128,445	\$ 133,463
Investment return:			
Net income	3,660	-0-	3,660
Net appreciation	-0-	1,392	1,392
Current year distributions	-0-	-0-	-0-
Amounts appropriated for expenditures	(8,678)	(6,754)	(15,432)
Total	\$ -0-	\$ 123,083	\$ 123,083

**EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE F – RETIREMENT PLAN

Effective January 1, 2003, the Organization instituted a deferred variable annuity plan under Section 403(b) of the Internal Revenue Code. Under provisions of the plan, employees may defer a portion of their salaries up to a maximum amount as allowed under the Internal Revenue Code. The Organization may make a discretionary matching contribution as determined by the Board of Directors. Matching contributions totaled \$75,311 and \$54,742 for 2020 and 2019, respectively.

NOTE G – RELATED PARTY TRANSACTIONS

The Easter Seals Southwest Florida Foundation, Inc. (Foundation) was organized in 1995 for the purpose of supporting the Organization. An independent Board of Trustees directs the Foundation.

During the fiscal year ended August 31, 2020, the Organization received support from the Foundation in the amount of \$208,560. This amount represented contributions of \$152,647 for wages, \$26,093 for benefits, \$2,100 for supplies, \$27,000 for software fees, and \$720 for board expenses. The Organization contributed \$148,757 to the Foundation in 2020.

During the fiscal year ended August 31, 2019, the Organization received support from the Foundation in the amount of \$653,686. This amount represented contributions of \$450,00 for operations, development, and capital, as well as, \$148,512 for wages, \$25,354 for benefits, \$2,100 for supplies, \$27,000 for software fees, and \$720 for board expenses.

The offices of the Foundation are located in the building, which is owned and occupied by the Organization. The value of the office space is immaterial to these financial statements.

The Organization, a beneficiary of permanent transfers made to the Foundation, has reported an asset for its interest in the net assets of the Foundation in accordance with accounting principles generally accepted in the U.S. Basically, if the specified beneficiary is financially interrelated to the recipient organization, the beneficiary must recognize its interest in the net assets of the recipient organization. The Organization is financially interrelated to the Foundation and therefore, is required to report its beneficial interest in the net assets of the Foundation. At August 31, 2020 and 2019, the Organization's interest in the net assets of the Foundation was \$4,430,066 and \$4,007,538, respectively. The Organization's change in interest in the net assets of the Foundation has been recorded as a change to net assets in the Statement of Activities for the years ended August 31:

	2020	2019
Adjustment for change in interest		
In net assets of Foundation	<u>\$ 422,528</u>	<u>\$ (687,934)</u>

The Foundation has approved a \$500,000 line-of-credit to the Organization to cover operating costs. The line does not contemplate interest and must be paid to a \$-0- balance at least once during each year. There was a balance of \$177,431 and \$133,527 outstanding on the line-of-credit at August 31, 2020 and 2019, respectively.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – LONG-TERM DEBT AND FINANCING

Paycheck Protection Program

During 2020, the Organization obtained a loan in connection with the Paycheck Protection Program (PPP) through the Small Business Administration (SBA) in the amount of \$832,000. The note matures April 28, 2022 and bears interest at 1.00% per annum for any amount not forgiven. The Organization evaluated the forgiveness criteria pursuant to the SBA guidelines and has determined that all conditions for forgiveness have been met and as a result, has recognized the full amount of \$832,000 as a contribution in 2020.

The Organization entered into a promissory note with the Manatee Community Foundation in the amount of \$300,000. The note is interest free until February 28, 2020, at which time, if not paid in full, the note will bear interest at the rate of 5% per annum. The note was paid in full during March of 2020.

Economic Injury Disaster Loan

During 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) through the SBA in the amount of \$159,000. The note matures in June of 2050. Monthly payments, in the amount of \$641 including interest at 2.75%, begin twelve months from the date of the note. On February 8, 2021, the EIDL loan was paid off in full.

The note is collateralized by all tangible and intangible personal property of the Organization.

Future maturities as of August 21, 2020 are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2021	\$ 1,194
2022	3,370
2023	3,464
2024	3,560
2025	3,659
Thereafter	<u>144,653</u>
	<u>\$ 159,900</u>

NOTE I – CONCENTRATION OF CREDIT AND OTHER RISKS

Financial instruments that potentially subject the Organization to credit risk consists of cash and cash equivalents and investments.

The Organization maintains numerous bank accounts at one institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time throughout the year, amounts may exceed FDIC limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and deposits.

The Organization holds various investments in securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – LIQUIDITY AND AVAILABLE RESOURCES

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,003,427	\$ 28,915
Accounts receivable	1,014,984	683,297
Investments	<u>86,780</u>	<u>61,250</u>
Total	<u>\$ 2,105,191</u>	<u>\$ 773,462</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$500,000 with the Foundation, which it could draw upon with approval of the Foundation.

NOTE K – CONTINGENCIES

The Organization is involved in litigation from time to time with various parties in the normal course of business. The outcome of these matters and potential losses to the Organization cannot be fully determined. The Organization does have insurance to cover certain of these matters. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization’s future financial position. As a result, no liability has been recorded in these financial statements. However, it is at reasonably possible that an unfavorable resolution could result in a liability that may affect the Organization’s financial results in a particular period.

The Organization is evaluating the risks associated with the COVID-19 pandemic and is in the process of implementing risk mitigation strategies in response to the risk of impact, if any, of COVID-19 related to all aspects of the Organization’s business transactions with clients and families, vendors and human interactions within and outside of the Organization. However, the Organization cannot at this time make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 25, 2021, the date on which the financial statements were available to be issued.

In its December 15, 2020 board meeting, the Organization’s board of directors approved a merger with InStride Therapy, Inc. (InStride). The Organization will assume the operations of InStride.

On January 19, 2021, the Organization obtained a second Paycheck Protection Program (PPP) loan in the amount of \$875,742. The loan carries interest at the rate of 1.00% per annum and matures January 19, 2026. The loan is pursuant to the PPP with the Small Business Administration and all or a portion of the loan may be forgiven if the Organization uses the proceeds for its allowed expenses under the program. Any amounts not forgiven, will be required to be paid in full under the terms of the loan.

OTHER SUPPLEMENTARY INFORMATION

**EASTER SEALS SOUTHWEST FLORIDA, INC.
 SCHEUDLE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED AUGUST 31, 2020**

State Grantor/Pass-through Grantor/Project	CSFA Number	Pass-through Entity Identifying Number	Expenditures
Florida Department of Education Early Childhood Education and Therapeutic Intervention	48.146	58D-97590-0Q001	\$ 1,081,742
Florida Agency for Persons with Disabilities Easter Seals Southwest Florida, Inc.	67.066	ACX54	<u>743,000</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 1,824,742</u></u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of Easter Seals Southwest Florida, Inc. (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note B – Contingencies

Grant monies received and distributed by the Organization are for specific purposes and are subject to review by the grantor agencies. Such review, if any, may result in a request for a reimbursement due to disallowed expenditures. The Organization does not believe that such allowances, if any, would have a material effect on the financial statements of the Organization. As of May 25, 2021, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

Note C – Types of Contracts

The Organization records expenditures related to reimbursement based contracts as costs are incurred. The Organization records expenditures related to its fixed-price performance based contracts pursuant to DFS Rule 69I-5.004(2)(a) based on when the related activity occurs to achieve the purpose of the contract.

The Independent Auditor's report should be read in connection with this supplemental schedule.

OTHER AUDITOR'S REPORTS

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*

Board of Directors
Easter Seals Southwest Florida, Inc.
Sarasota, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 10.650 Rules of the Auditor General of the State of Florida, the financial statements of Easter Seals Southwest Florida, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of August 31, 2020, 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 May 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

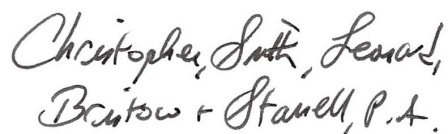
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Organization'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Handwritten signature in cursive script: Christopher Smith, Leonard, Bristow & Stanell, P.A.

**CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.**

May 25, 2021
Bradenton, Florida

**INDEPENDENT AUDITOR'S 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**

**Board of Directors
Easter Seals Southwest Florida, Inc.
Sarasota, Florida**

Report on Compliance for Each Major State Project

We have audited Easter Seals Southwest Florida, Inc. (the Organization) 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 the Organization's major State projects for the year ended August 31, 2020. The Organization'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 State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization'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 the Organization's compliance.

Opinion on Each Major State Project

In our opinion, the Organization 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 August 31, 2020.

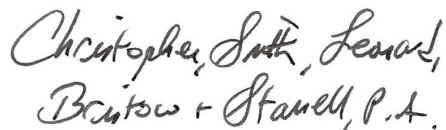
Report on Internal Control over Compliance

Management of the Organization 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 the Organization'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 the 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 the Organization'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 the 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 Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



**CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.**

May 25, 2021
Bradenton, Florida

**EASTER SEALS SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditor's report issued:	<u>Unmodified</u>
Internal Control over financial reporting:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	___ yes <u> x </u> no

State Projects

Internal Control over major projects:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Type of auditor's report issued on compliance for major projects:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.656, Rules of the Auditor General	___ yes <u> x </u> no

Identification of Major State Projects:

	<u>CSFA Number</u>
Early Childhood Education and Therapeutic Intervention	48.146
Easter Seals Southwest Florida, Inc.	67.066
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>

**EASTER SEALS SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Section II – Financial Statement Findings

No matters were reported and therefore no management letter is required.

PRIOR YEAR FINDINGS

There were no prior audit findings.

Section III – State Project Findings and Questioned Costs

No matters were reported and therefore no management letter is required.

PRIOR YEAR FINDINGS

No summary schedule of prior audit findings is required because there were no prior audit findings related to State projects.