

**EASTER SEALS SOUTH FLORIDA, INC.**

FINANCIAL STATEMENTS,  
INDEPENDENT AUDITOR'S REPORT AND  
SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED  
AUGUST 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Easter Seals South Florida, Inc. Miami,  
Florida

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Easter Seals South Florida, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2022, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Prior Period Financial Statements*

The financial statements of the Organization as of August 31, 2021 were audited by other auditors whose report dated May 23, 2022 expressed an unmodified opinion on those statements.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the

Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the schedule of expenditures of state financial assistance as required by Chapter 10.650, Rules of the Florida 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 March 7, 2023 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.

Miami, Florida  
March 7, 2023



CERTIFIED PUBLIC ACCOUNTANTS

**EASTER SEALS SOUTH FLORIDA, INC.**  
**STATEMENTS OF FIANANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

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**ASSETS**

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,470,181	\$ 13,693,914
Grants and accounts receivable, net	1,927,523	1,779,710
Contributions receivable, net	121,936	118,148
Prepaid expenses	56,549	56,293
Investments	18,319,305	11,885,481
Property and equipment, net	2,450,366	3,374,023
Other assets	1,892	1,892
TOTAL ASSETS	<u>\$ 31,347,752</u>	<u>\$ 30,909,461</u>

**LIABILITIES AND NET ASSETS**

LIABILITIES

Accounts payable and accrued expenses	\$ 1,200,414	\$ 1,033,925
Taxes payable	1,749,247	1,812,483
Deferred revenue	927,837	384,230
Notes payable	150,000	150,000
TOTAL LIABILITIES	<u>\$ 4,027,498</u>	<u>\$ 3,380,638</u>

NET ASSETS

Without donor restrictions	\$ 27,156,040	\$ 27,263,714
With donor restrictions	164,214	265,109
TOTAL NET ASSETS	<u>27,320,254</u>	<u>27,528,823</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,347,752</u>	<u>\$ 30,909,461</u>
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The accompanying notes are an integral part of these financial statements.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022			2021		
	Without	With	Total	Without	With	Total
	Donor	Donor		Donor	Donor	
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>Public Support, Revenue, and Gains</b>						
Contributions	\$ 1,382,602	\$ 76,000	\$ 1,458,602	\$ 7,271,947	\$ 233,400	\$ 7,505,347
Special events, net of direct costs of \$82,507 for 2022 and \$13,109 for 2021	18,157	-	18,157	57,387	-	57,387
Government grants and contracts	10,899,464	-	10,899,464	10,327,891	-	10,327,891
Program service fee	1,114,042	-	1,114,042	697,945	-	697,945
Investment income, net	271,869	-	271,869	121,989	-	121,989
Net realized and unrealized (loss) gains on investments	(3,204,463)	-	(3,204,463)	1,219,754	-	1,219,754
Gain on sale of property	4,932,357	-	4,932,357	-	-	-
Gain on sale of investment in partnership	-	-	-	9,832,316	-	9,832,316
Distributions received from investment in partnership	-	-	-	369,568	-	369,568
In-kind contributions	514,241	-	514,241	292,252	-	292,252
Other income	90,522	-	90,522	38,400	-	38,400
Net assets released from restrictions	176,895	(176,895)	-	301,633	(301,633)	-
Total public support, revenue, and gains	16,195,686	(100,895)	16,094,791	30,531,082	(68,233)	30,462,849
<b>Expenses</b>						
Functional Expenses						
Program services	14,782,341	-	14,782,341	12,642,632	-	12,642,632
Supporting activities:						
Management and general	1,140,933	-	1,140,933	866,066	-	866,066
Fundraising activities	312,100	-	312,100	330,225	-	330,225
Total functional expenses	16,235,374	-	16,235,374	13,838,923	-	13,838,923
Membership fees to affiliated organization	67,161	-	67,161	76,786	-	76,786
Total expenses	16,302,535	-	16,302,535	13,915,709	-	13,915,709
Changes in net assets, before other items	(106,849)	(100,895)	(207,744)	16,615,373	(68,233)	16,547,140
Forgiveness of Paycheck Protection Program Loan	-	-	-	1,907,000	-	1,907,000
Federal tax expense	(825)	-	(825)	(1,641,800)	-	(1,641,800)
Changes in net assets	(107,674)	(100,895)	(208,569)	16,880,573	(68,233)	16,812,340
Net assets, beginning of year	27,263,714	265,109	27,528,823	10,383,141	333,342	10,716,483
Net assets, end of year	\$ 27,156,040	\$ 164,214	\$ 27,320,254	\$ 27,263,714	\$ 265,109	\$ 27,528,823

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

**EASTER SEALS SOUTH FLORIDA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

	Program Services					Supporting Activities			
	Early Childhood	Educational Services	Adult and Senior Care Services	Head Start	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Salaries and benefits:									
Salaries and wages	\$ 911,999	\$ 2,245,717	\$ 2,259,094	\$ 3,387,239	\$ 8,804,049	\$ 422,906	\$ 194,885	\$ 617,791	\$ 9,421,840
Payroll taxes and employee benefits	121,317	282,148	308,234	547,121	1,258,820	53,880	34,193	88,073	1,346,893
Total salaries and benefits	1,033,316	2,527,865	2,567,328	3,934,360	10,062,869	476,786	229,078	705,864	10,768,733
Other expenses:									
Contracted services	248,635	126,556	24,590	207,324	607,105	13,185	8,721	21,906	629,011
Professional fees	49,156	108,765	133,989	94,626	386,536	290,648	10,565	301,213	687,749
Program supplies and expenses	76,451	244,384	798,337	566,087	1,685,259	3,266	180	3,446	1,688,705
Occupancy	117,182	289,396	394,086	106,384	907,048	34,417	9,257	43,674	950,722
Travel and transportation	6,448	44,920	32,712	-	84,080	6,828	2,537	9,365	93,445
Insurance	42,801	56,470	53,107	65,549	217,927	61,446	3,480	64,926	282,853
Staff training and development	36,346	5,116	16,696	29,816	87,974	66,501	7,051	73,552	161,526
Office supplies	32,673	17,317	29,525	221,368	300,883	106,705	23,695	130,400	431,283
Depreciation and amortization	130,711	154,446	111,919	94	397,170	51,921	5,388	57,309	454,479
Interest, penalties, assessments, and other	1,405	4,695	7,203	-	13,303	20,894	7,634	28,528	41,831
Marketing and promotion	4,473	11,870	8,091	7,753	32,187	8,336	4,514	12,850	45,037
Total other expenses	746,281	1,063,935	1,610,255	1,299,001	4,719,472	664,147	83,022	747,169	5,466,641
Total expenses	\$ 1,779,597	\$ 3,591,800	\$ 4,177,583	\$ 5,233,361	\$14,782,341	\$ 1,140,933	\$ 312,100	\$1,453,033	\$16,235,374

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

**EASTER SEALS SOUTH FLORIDA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

	Program Services					Supporting Activities			
	Early Childhood	Educational Services	Adult and Senior Care Services	Head Start	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Salaries and benefits:									
Salaries and wages	\$ 815,508	\$ 2,019,880	\$ 1,721,912	\$ 3,052,737	\$ 7,610,037	\$ 400,587	\$ 195,057	\$ 595,644	\$ 8,205,681
Payroll taxes and employee benefits	146,325	304,127	352,711	574,043	1,377,206	32,978	50,352	83,330	1,460,536
Total salaries and benefits	961,833	2,324,007	2,074,623	3,626,780	8,987,243	433,565	245,409	678,974	9,666,217
Other expenses:									
Contracted services	194,447	83,122	48,837	172,239	498,645	20,426	-	20,426	519,071
Professional fees	24,648	42,118	73,981	94,901	235,648	133,415	7,515	140,930	376,578
Program supplies and expenses	82,449	226,320	555,894	512,591	1,377,254	1,881	3,513	5,394	1,382,648
Occupancy	108,546	232,789	279,067	150,882	771,284	23,592	7,394	30,986	802,270
Travel and transportation	6,818	18,849	20,306	-	45,973	7,602	7	7,609	53,582
Insurance	46,716	39,463	64,533	88,230	238,942	29,265	6,287	35,552	274,494
Staff training and development	30,733	822	10,190	15,961	57,706	89,468	466	89,934	147,640
Office supplies	19,370	10,223	34,072	49,903	113,568	62,908	23,599	86,507	200,075
Depreciation and amortization	96,164	78,824	112,217	-	287,205	21,447	4,505	25,952	313,157
Interest, penalties, assessments, and other	1,914	1,870	3,809	-	7,593	35,647	9,525	45,172	52,765
Marketing and promotion	275	17,450	569	3,277	21,571	6,850	22,005	28,855	50,426
Total other expenses	612,080	751,850	1,203,475	1,087,984	3,655,389	432,501	84,816	517,317	4,172,706
Total expenses	\$ 1,573,913	\$ 3,075,857	\$ 3,278,098	\$ 4,714,764	\$ 12,642,632	\$ 866,066	\$ 330,225	\$ 1,196,291	\$ 13,838,923

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

**EASTER SEALS SOUTH FLORIDA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (208,569)	\$ 16,812,340
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gains on investments	(3,204,463)	(1,219,754)
Gain on sale of investment in partnership	-	(9,832,316)
Gain on sale of property	(4,932,357)	-
Depreciation and amortization	454,481	313,157
Change in allowance for doubtful accounts	4,625	(28,095)
Forgiveness of Paycheck Protection Program Loan	-	(1,907,000)
Changes in operating assets and liabilities:		
Grants and accounts receivables	(130,667)	(371,093)
Contributions receivable, net	(25,559)	141,858
Prepaid expenses	(256)	(14,204)
Accounts payable and accrued expenses	166,489	(1,217)
Taxes payable	(63,236)	1,619,200
Refundable advances	543,607	256,341
Net cash (used in) provided by operating activities	<u>(7,395,905)</u>	<u>5,769,217</u>
Cash flows from investing activities:		
Purchases of investments, net	(3,229,361)	(6,007,527)
Sale of investment in partnership	-	12,541,973
Proceeds from sale of property and equipment	5,612,305	-
Purchase of property and equipment	(210,772)	(422,869)
Net cash (used in) provided by investing activities	<u>2,172,172</u>	<u>6,111,577</u>
Net (decrease) increase in cash and cash equivalents	(5,223,733)	11,880,794
Cash and cash equivalents, beginning of year	<u>13,693,914</u>	<u>1,813,120</u>
Cash and cash equivalents, end of year	<u>\$ 8,470,181</u>	<u>\$ 13,693,914</u>
Non-cash Financing Activities		
Forgiveness of Paycheck Protection Program Loan	<u>\$ -</u>	<u>\$ 1,907,000</u>

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

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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NOTE 1 – ORGANIZATION

**Nature of Organization**

Easter Seals South Florida, Inc. (the Organization) is a nonprofit organization established in 1942. The Organization's cause and purpose is to support and strengthen families living with a disability in its community. Its mission is to change the way the world defines and views disability by making profound, positive differences in people's lives every day. The Organization provides programs and services in early childhood education, special education, and aging services across eleven locations in South Florida.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Net Assets**

Net assets can be classified in the following categories:

- Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions, including stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.
- Net Assets Without Donor Restrictions - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments as cash equivalents that have an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts. These deposits may exceed the amount of Federal Deposit Insurance Corporation (FDIC) insurance provided on such deposits; generally, these deposits may be redeemed upon demand and; therefore, bear minimal risk. At August 31, 2022 and 2021, the Organization had \$8,218,409 and \$13,440,242, respectively, in cash uninsured by the FDIC.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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NOTE 1 – ORGANIZATION (CONTINUED)

**Grants and Accounts Receivable, Net**

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances and consists of amounts due from various government agencies and other third parties. The Organization's agreements with government agencies typically require the Organization to apply for annual renewal. The Organization carries grants and accounts receivable net of an estimated allowance for doubtful accounts. The allowance is based on the Organization's experience with the agencies and the third-party contracts and other circumstances which may affect the ability of the funder to meet their obligations. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible grants and accounts receivable against the allowance when management determines the receivable will not be collected. The allowance for doubtful accounts as of August 31, 2022 and 2021 was \$109,807 and \$92,661, respectively.

**Contributions Receivable, Net**

Contributions receivables represent unconditional promises to give by donors. Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected after one year have been discounted using risk-free interest rates applicable to the years in which the promises are received, approximately at 3% in 2022 and 1% in 2021, and are reflected in the financial statements at their net present value. Amortization of the discounts is included in contribution revenue. The Organization determines an allowance for doubtful accounts based upon management's evaluation of the collectability of individual promises.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position.

Unrealized gains and losses are included in the change in net assets. Recognized gains and losses, dividends, interest and other income generated by the investment in partnership are reported in the statements of activities as increases in net assets without donor restrictions unless the activity is restricted by the donor. Gains that are 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.

The Organization maintains certain investment accounts. These include closed-end mutual funds, stocks, and corporate bonds (all Level 1 measurements). The fair value of these investments is based on quoted market values of the shares held by the Organization at year-end.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 1 – ORGANIZATION (CONTINUED)**

**Property and Equipment, Net**

Purchased property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets, which are as follows below. Leasehold improvements are amortized over the estimated useful life of the improvement or the lease term, whichever is shorter. For donated property, refer to note Donated Non-Cash Assets below.

Building and building improvements	10-40 years
Leasehold improvements	7 years
Furniture and equipment	5-7 years
Therapeutic pool	5 years
Vehicles	5 years
Software	3 years

Purchases of property and equipment in excess of \$2,500, unless specified otherwise by the funder, are capitalized. Costs of maintenance and repairs of minor items are charged to expense as incurred. Major repairs and improvements that extend the life of the asset are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the statement of activities.

**Impairment of Long-Lived Assets**

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its carrying amount in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment has been recognized during the years ended August 31, 2022 and 2021.

**Deferred Revenue**

The Organization records advances on grant awards accounted for as contributions as deferred revenue until all measurable performance barriers and conditions have been met, at which time they are recognized as support on the statement of activities.

**Contributions**

Contributions, including unconditional promises to give, are recorded at fair value as made. Conditional promises to give, this is those with a measurable performance barrier or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional contributions, except for advances from grant awards, at August 31, 2022 or 2021. The Organization reports gifts as contributions with donor restrictions if they are pledged, restricted for future periods, or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 1 – ORGANIZATION (CONTINUED)**

**Program Service Fee**

The Organization considers these to be exchange transactions and therefore revenue is recognized when a promised good or service is transferred to a customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

Program revenues are presented net of discounts and are recognized using the five-step model as follows:

- Identification of the contract with the customer.
- Identification of the performance obligation in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligation in the contract.
- Recognition of revenues when, or as, performance obligations are satisfied.

Program service fees consist primarily of services provided on behalf of medical and insurance companies. Fees are recognized as revenue at a point in time in which the services occur. Revenues are net of returns and exclude sales tax. There are no variable considerations. Proceeds from these fees are used to support the Organization's other programs.

**Contributed Nonfinancial Assets**

Donations of non-cash assets are recorded as support at their estimated fair values at the date of donation. Donated non-cash assets include but are not limited to property and equipment, investments, and other tangible property. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use are also reported as donations with donor restrictions. Absent donor stipulations regarding how long donated long-lived assets must be used, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization releases net assets with donor restrictions to net assets without donor restrictions at that time.

Donated facilities and services are reflected in the accompanying statement of activities at their estimated fair value at the date of receipt. The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skill that would typically need to be purchased if not provided by donation. The value of donated services is recorded as contributions and expenses in the period received.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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NOTE 1 – ORGANIZATION (CONTINUED)

**Functional Allocation of Expenses**

The costs of providing the Organization's programs and other activities have been summarized in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses have been assigned to functions based on specific identification. All indirect expenses have been allocated among the functions benefited. Program services include costs of early childhood services, educational services, vocational services, adult and senior care services, and Head Start. Fundraising expenses include costs related to campaigns, development, and other fundraising efforts. Management and general expenses include executive, financial administration, information systems and personnel expenses. Occupancy costs and general supplies are allocated based on the percentage of square footage in the buildings by each function. The salaries of the executive staff are allocated based on the time spent in each function.

Following is a description of the Organization's program and support services:

**Early Childhood**

The Child Development Center includes specialized early childhood childcare and education as well as pediatric therapies for children from birth to five years old. Although the Organization is known for its work with persons with disabilities, the Child Development Center has an inclusive program for typical learners as well as children with developmental delays and disabilities.

**Educational Services**

The Elementary and Middle School Academy serve children from Kindergarten through 8<sup>th</sup> grade, providing expert support and special education for children with autism and other developmental disabilities. The academy incorporates specialized education services and life skills training to support academic growth and independent skill building that best prepares academy students for high school success. The Culinary Arts High School has uniquely addressed the needs of young adults with Autism Spectrum Disorder and other developmental disabilities for more than 25 years. The program combines high quality education services and supports that combine academic skills, life skills and vocational training for students ages 14 - 22.

**Vocational Services**

The Organization offers supported employment services and helps prepare youth & adults with physical, emotional and/or developmental and disabilities for employment through Vocational Evaluations. Assessments are offered in English & Spanish.

**Adult and Senior Care Services**

The Organization provides an array of activities for attendees to participate in, many of which can be adapted to each person's unique abilities maximizing enjoyment and minimizing frustration. These adult day services provide participants with the opportunity to connect with others living with Alzheimer's in a meaningful way. The Organization also offers in-home respite to those with Alzheimer's disease and other memory-related disorders. The specialty services include physical, music, recreational and pet therapies.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 1 – ORGANIZATION (CONTINUED)**

**Head Start**

The Organization provides education to 488 young children in six Head Start programs (480 Head Start slots and 8 Early Head Start slots through the program). The Organization provides comprehensive early childhood care, case management, and education services for pregnant women, infants, toddlers, and pre-school age children.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and similar income tax regulations of the State of Florida. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization other than a private foundation under Section 509(a) (2). The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its financial statements include any uncertain tax positions. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2019.

Income determined to be unrelated business income would be taxable. The Organization accrued approximately \$1,749,000 and \$1,812,000 for the years ended August 31, 2022 and 2021, respectively, for tax liabilities for unrelated business income taxes.

**Adopted Accounting Pronouncements**

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial assets, requiring an entity to present contributed financial assets as a separate line item on the statement of activities, apart from contributions of cash and other financial assets. ASU 2020-07 includes additional disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The standard was applied on a retrospective basis during the year end June 30, 2022. See Note 12 for additional disclosures.

**Accounting Pronouncements to be Adopted**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. In June 2020, FASB issued ASU 2020-05 Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities that allows entities to elect to postpone adoption until fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this ASU on its financial statements.

**Reclassifications**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**NOTE 2 – FAIR VALUE MEASUREMENTS**

Accounting Standard Codification (ASC) 820 - Fair Value Measurement defines fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820-10, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization have the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability, used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market data, which requires management to develop its own assumptions.

For the valuation of certain corporate bonds and notes, other fixed income, common and preferred stocks, marketable and nonmarketable alternative funds, commodities, and money market and others at August 31, 2022 and August 31, 2021 the Organization used quoted prices in principal active markets for identical assets as of valuation date (Level 1).

The following table present the Organization's investments measured at fair value and segregated by level within the fair value hierarchy as of August 31:

2022

Description:	Level 1	Level 2	Level 3	Total
Equities	\$ 12,272,296	\$ -	\$ -	\$ 12,272,296
Fixed income	1,365,674	-	-	1,365,674
Corporate bonds	4,681,335	-	-	4,681,335
Total	\$ 18,319,305	\$ -	\$ -	\$ 18,319,305

2021

Description:	Level 1	Level 2	Level 3	Total
Equities	\$ 7,937,370	\$ -	\$ -	\$ 7,937,370
Closed-end mutual funds	18,486	-	-	18,486
Corporate bonds	3,929,625	-	-	3,929,625
Total	\$ 11,885,481	\$ -	\$ -	\$ 11,885,481

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

**NOTE 3 – CONTRIBUTIONS RECEIVABLE, NET**

Gross contributions receivable as of August 31, 2022 and 2021 amounted to \$125,300 and \$143,283, respectively. Contributions receivable utilizing discount rates of 3% and 1% consist of:

	2022	2021
Receivables due in less than one year	\$ 110,300	\$ 83,100
Receivables due greater than one year	15,000	60,183
Less: discounts to net present value	(3,064)	(6,078)
Less: allowance for doubtful accounts	(300)	(19,057)
	<u>\$ 121,936</u>	<u>\$ 118,148</u>

**NOTE 4 – PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at August 31, 2022 and 2021 consisted of the following:

	2022	2021
Land	\$ -	\$ 679,948
Building and building improvements	6,984,132	6,773,128
Furniture and equipment	768,558	768,883
Therapeutic pool	134,869	134,869
Vehicles	255,528	255,528
Software	110,011	110,011
Leasehold Improvements	167,286	167,286
Total property and equipment	<u>8,420,384</u>	<u>8,889,653</u>
Accumulated depreciation	<u>(5,970,018)</u>	<u>(5,515,630)</u>
Property and equipment, net	<u>\$ 2,450,366</u>	<u>\$ 3,374,023</u>

**NOTE 5 – NOTES PAYABLE**

The Organization received an SBA Economic Injury Disaster (EID) Loan in the amount of \$150,000 on July 1, 2020. Installment payments of principal and interest of \$641 were set to begin in July of 2020. In March of 2021, the SBA announced that the first installment payments were deferred from 12 months to 24 months. In March of 2022, the SBA granted an additional 6-month deferment of principal and interest payments. The balance of principal and interest will be payable on July 1, 2050. Interest will accrue at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance. EID loans are included in Notes payable in the statements of financial position.

**NOTE 6 – RETIREMENT PLAN**

Effective June 1, 1997, the Organization implemented a defined contribution retirement plan in accordance with Section 403(b) of the Internal Revenue Code, Tax Deferred Annuity Plan. The plan, which is administered by a third party, is funded by employee contributions up to the amount allowed by law per employee per year and discretionary contributions by the Organization. All permissible employees of the Organization, as defined in accordance with the universal availability standards are eligible to enroll on the first day of the quarter following their date of hire. No discretionary contributions were made for the years ended August 31, 2022 and 2021.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 7 – MEMBERSHIP FEES TO AFFILIATED ORGANIZATION**

In accordance with the terms of the membership agreement between the Organization and National Easter Seals, Inc. (the "National Organization"), the Organization is subject to membership fees as part of its national affiliation, as determined by a formula included in the membership agreement. Fees paid to the National Organization for the years ended August 31, 2022 and 2021 were \$67,161 and \$76,786, respectively, and are included on the accompanying statement of activities.

**NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available with the following restrictions as of August 31, 2022 and 2021:

	2022	2021
Joan Bornstein Scholarship Fund - purpose restricted	\$ 119,881	\$ 124,881
Program services and projects - time restricted	44,333	140,228
Total temporarily restricted net assets	<u>\$ 164,214</u>	<u>\$ 265,109</u>

Net assets released from restrictions of \$176,895 and \$301,633 during the years ended August 31, 2022 and 2021, respectively were released due to either the expiration of time restrictions or use of purpose.

**NOTE 9 – CONCENTRATIONS**

***Grant Awards***

For 2022, the Organization received approximately 39% of its government grant funding from the U.S. Department of Health and Human Services - Head Start Program, 13% from Alliance for Aging, and 10% from The Children's Trust. As of August 31, 2022, receivables from the U.S. Department of Health and Human Services - Head Start Program, accounted for 30% of the Organization's total grants and accounts receivable. Receivables from the Alliance for Aging accounted for approximately 13% of the Organization's total grants and accounts receivable. Receivables from The Children's Trust accounted for approximately 24% of the Organization's total grants and accounts receivable.

For 2021, the Organization received approximately 39% of its government grant funding from the U.S. Department of Health and Human Services - Head Start Program, 11% from Alliance for Aging, and 16% from The Children's Trust. As of August 31, 2021, receivables from the U.S. Department of Health and Human Services - Head Start Program, accounted for 19% of the Organization's total grants and accounts receivable. Receivables from the Alliance for Aging accounted for approximately 12% of the Organization's total grants and accounts receivable. Receivables from The Children's Trust accounted for approximately 38% of the Organization's total grants and accounts receivable.

For 2021, the Organization received approximately 80% of its contribution funding from one individual. There was no such concentration in 2022.

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

***Leases***

The property on which the Organization's building and improvements are located is owned by Miami-Dade County, Florida (the "County"). The Organization pays an annual rental of \$1 to the County for use of this property. The lease was executed in 1956 and provides for automatic five-year renewal periods not to exceed a total of 95 years. The Organization currently does not record in-kind revenue for the use of land.

The Organization leases offices and office equipment under various operating lease agreements. These leases have various terms of up to 39 months and expire on various dates through 2023.

Future minimum rental payments under these lease arrangements are as follows for the years ending August 31:

2023	\$	332,129
2024		221,363
2025		228,004
2026		234,844
2027		200,572
Total	\$	<u>1,216,912</u>

Lease expense for the years ended August 31, 2022 and 2021 was approximately \$368,000 and \$273,000, respectively, and is included in occupancy and office supplies on the accompanying statements of functional expenses.

***Contingencies***

In the normal course of business, the Organization has received grants which are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management believes that all the expenditures are properly recorded and that the liability, if any, for any reimbursement which may arise as the result of audits would not be significant.

**NOTE 11 – LIQUIDITY**

Financial assets and liquidity resources available within one year for general expenditure were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,470,181	\$ 13,693,914
Grants and accounts receivable, net	1,927,523	1,779,710
Contributions receivable, net	121,936	118,148
Investments	18,319,305	11,885,481
Less: Restricted net assets	<u>(164,214)</u>	<u>(265,109)</u>
Financial Assets without Donor Restriction	<u>\$ 28,674,731</u>	<u>\$ 27,212,144</u>

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021**

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**NOTE 12 – CONTRIBUTED NON-FINANCIAL ASSETS**

For the year ended August 31, 2022, contributed non-financial assets recognized within the statement of activities included:

Goods	\$	2,000
Services		382,141
Rent		130,100
	\$	<u>514,241</u>

**Goods**

The Organization receives donations of goods. The Organization recognized as contribution revenue along with a corresponding expense at an amount approximating fair value at the time of the donation.

**Services**

The Organization receives in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, and advisory services. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

**Rent**

The Organization receives in-kind contributions of rental space from third parties that are used to provide program services. The Organization recognized as contribution revenue along with a corresponding expense at an amount approximating fair value at the time of the donation.

**NOTE 13 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through March 7, 2023 the date which the financial statements were available to be issued and no additional disclosures were required.

**SUPPLEMENTARY INFORMATION**



## 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

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To the Board of Directors  
Easter Seals South Florida, Inc.  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Easter Seals South Florida, Inc. (the Organization), which comprise the Organization's statement of financial position as of August 31, 2022, 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 March 7, 2023.

### ***Report on 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, misstatement's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified 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 or significant deficiencies may exist that were not identified.

***Report on 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 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.

Miami, Florida  
March 7, 2023



CERTIFIED PUBLIC ACCOUNTANTS



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.650, RULES OF THE FLORIDA AUDITOR GENERAL

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To the Board of Directors  
Easter Seals South Florida, Inc.  
Miami, Florida

### **Report on Compliance for Each Major Federal Program and Major State Project**

#### ***Opinion on Compliance for Each Major Federal Program and Major State Project***

We have audited Easter Seals South Florida, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement, and the requirements identified as subject to audit in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on the Organization's major federal program and state project for the year ended August 31, 2022. The Organization's major federal program and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program and the major state project for the year ended August 31, 2022.

#### ***Basis for Opinion on Each Major Federal Program and Major State Project***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and Chapter 10.650, Rules of the Florida Auditor General. Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe

that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

***Report on Internal Control Over Compliance***

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

Miami, Florida  
March 7, 2023



CERTIFIED PUBLIC ACCOUNTANTS

**EASTER SEALS SOUTH FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2022**

Federal or Grantor/Pass -Through/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Expenditures
<b>U.S. Department of Health and Human Services</b>			
Pass-through from Miami-Dade County Head Start/Early Head Start Program	93.600	RFA16, D-10122p	\$ 4,284,666
Subtotal pass through from Miami-Dade County			
Pass-through from Council/City of Pembroke Pines Title III, Part B Support Services	93.044	JA1 16-10-2017	124,555
Title III, Part E Support Services	93.052	JA1 16-10-2017	53,605
			178,160
Subtotal pass through from City of Pembroke Pines			
Pass-through from Alliance for Aging Coronavirus Aid, Relief, and Economics Safety (CARES) Act	93.554	KCA-2092	139,079
Subtotal pass through from Alliance for Aging	93.045	KCV-2192	8,786
			147,865
<b>Total U.S. Department of Health and Human Services</b>			4,610,691
<b>Corporation for National and Community Service</b>			
Pass-through from State of Florida Department of Elder Affairs AmeriCorps Program	94.006	XV121	135,948
<b>Total Corporation for National and Community Service</b>			135,948
<b>U.S. Department of Agriculture</b>			
Pass-Through from State of Florida Department of Elder Affairs Adult Care Food Program (Non-Pricing Program)	10.558		44,874
Pass-Through from State of Florida Department of Health Child Care Food Program (Non-Pricing Program)	10.558		498,205
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			543,079
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 5,289,718

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

**EASTER SEALS SOUTH FLORIDA, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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State Grantor/Pass-Through Grantor/ Program or Title	CSFA Number	Pass-through Entity Identifying Number	Total Expenditures
Florida Department of Elder Affairs Pass-Through from Alliance of Aging Alzheimer's Disease Initiative	65.002	KZ-2192 & KZ-2292	\$ <u>1,470,376</u>
Total Expenditures of State Financial Assistance			\$ <u><u>1,470,376</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

**EASTER SEALS SOUTH FLORIDA, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE**  
**FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED AUGUST 31, 2022**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") include the federal awards and state financial assistance project activity of Easter Seals South Florida, Inc. (the "Organization") under programs of the federal government and State of Florida for the year ended August 31, 2022. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Florida Auditor General, respectively. Because the Schedules present only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, changes in net assets or cash flows of the Organization.

The Organization had no federally funded insurance programs or loan guarantees during the year ended August 31, 2022.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – INDIRECT COST RATE**

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**EASTER SEALS SOUTH FLORIDA, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE YEAR ENDED AUGUST 31, 2022**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

Type of auditor’s report issued	<i>Unmodified</i>		
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	

***Federal Awards and State Projects***

Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>		
Internal control over major programs:			
• Material weakness(es) identified?	_____ Yes	<u>  X  </u> No	
• Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u> None reported	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650, Rules of Florida Auditor General?			
Identification of Major Programs	_____ Yes	<u>  X  </u> No	

<b>Federal Program/State Project or Cluster</b>	<b>ALN/CSFA Number</b>	<b>Expenditures</b>
<b>Federal Programs:</b>		
<u>U.S. Department of Health and Human Services</u> Head Start Program	93.600	\$4,284,666
<b>State Projects:</b>		
<u>Florida Department of Elder Affairs</u> Alzheimer’s Disease Initiative	65.002	\$1,470,376

**EASTER SEALS SOUTH FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED AUGUST 31, 2022**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS(CONTINUED)**

Dollar threshold used to distinguish between type A and type B programs for Federal Awards:

\$750,000

Auditee qualified as a low risk auditee?

\_\_\_\_\_ yes        X   no

Dollar threshold used to distinguish between type A and type B programs for State Financial Assistance:

\$441,113

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The audit disclosed no matters that are reportable for the current year.

**SECTION III - AWARD FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS**

The audit disclosed no matters that are reportable for the current year.

**SECTION IV – OTHER ISSUES**

1. A management letter was issued and reported to management in a separate letter dated March 7, 2023.
2. A summary schedule of prior audit findings was required and included on page 30.
3. No corrective action plan is required because there were no findings required to be reported under the Uniform Guidance or the Department of Financial Services’ State Project Compliance Supplement.

**EASTER SEALS SOUTH FLORIDA, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED AUGUST 31, 2022**

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<u>MATERIAL WEAKNESS FINDINGS</u>	<u>DESCRIPTION OF FINDING</u>	<u>STATUS</u>
2021-001	The Organization did not prepare a Schedule of Expenditures of Federal Awards (SEFA) , as well as the Schedule of Expenditures of State Financial Assistance (SEFSA)	Corrective Action Taken

**EASTER SEALS SOUTH FLORIDA, INC.**

MANAGEMENT LETTER

AUGUST 31, 2022

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## MANAGEMENT LETTER

To the Board of Directors of  
Easter Seals South Florida, Inc.  
Miami, Florida

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

We have audited the consolidated financial statements of Easter Seals South Florida, Inc. (the “Organization”), as of and for the fiscal year ended August 31, 2022 and have issued our report thereon dated March 7, 2023.

### **Auditor’s Responsibility**

We conducted our audit 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor’s Report on Compliance for Each Major Federal Program, and Report on Internal Control over Compliance in accordance with the Uniform Guidance. Disclosures in those reports, which are dated March 7, 2023, should be considered in conjunction with this management letter.

### **Management Letter**

In planning and performing our audit of the financial statements of the Organization as of and for the year ended August 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, other material weaknesses may exist that have not been identified.

During our audit, we became aware of certain matters other than significant deficiencies or material weaknesses, that are opportunities for strengthening internal controls and operating efficiency. The schedule that accompanies this letter summarizes our observations and suggestions concerning those matters. This letter does not affect our reports dated March 7, 2023 on the financial statements of the Organization.

**Purpose of this Letter**

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, and regulatory agencies to which the Organization is subject, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
March 7, 2023

**EASTER SEALS SOUTH FLORIDA, INC.  
OBSERVATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED AUGUST 31, 2022**

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**ACCOUNTS RECEIVABLE SUBLEDGER**

Observation

We noted that within the accounts receivable subledger there are various marked journal entries within each account balance. These adjustments make it difficult to track the collection process and may not apply payment at these receivables properly.

Recommendation

The accounts receivable ledger should be reviewed timely for accuracy. Receivables should be recorded when billed and subsequently recorded when paid. Manual entries should not be made within the subledger account to reconcile differences. Manual entries may cause the subledger balance to not reconcile with the general ledger.

Management response

Management intends to engage a third party specialist to aid in clearing the subledger and eliminate need for manual entries.

**ALLOCATION OF PAYROLL**

Observation

Currently, the Organization is using the allocations modules included in their payroll processors system to allocate the level of effort of the employees to their respective grants. We noted that the system in place does not differentiate a salaried employee and hourly employees thereby potentially over allocating salaried employees if their hours exceed the standard hours. For example, if a salaried employee worked 85 hours it would allocate their hours based on their hourly rate for those 85 hours irrespective of their normal allocation. The current system requires accounting to manually adjust salaried employees hours to properly allocate their level of effort.

Recommendation

The Organization should discuss with their payroll processor to see if changes can be made to the system to eliminate manual adjustments.

Management response

Plans are in place to engage our payroll processor to determine the best course of action to correct this issue.

**EASTER SEALS SOUTH FLORIDA, INC.  
OBSERVATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED AUGUST 31, 2022**

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**OUTSTANDING CHECKS**

Observation

While conducting our audit, there were several checks that had been outstanding for over a year. Tracking outstanding checks is an important control procedure that ensures that all outgoing checks are accounted for.

Recommendation

We recommend that an accurate and updated outstanding check list be kept for each bank account and a periodic review of the list be performed on a timely basis.

Management response

Agreed. We have taken steps to clear old checks from our outstanding check list and will monitor this going forward.

**CREDIT RISK**

Observation

We noted during our audit procedures that the Organization has significant funds held in various financial institutions that are in excess of Federal Deposit Insurance Corporation (FDIC) insurance limitations.

Recommendation

Particularly given the current economic environment, we recommend that the Organization consult with a financial institution representative to consider other potential options in which the Organization's funds would be more fully insured.

Management response

We are looking into options to help mitigate this risk including the IntraFi Cash Service provided by City National Bank.