

**EASTER SEALS
SOUTHWEST FLORIDA, INC.**

FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2023 and 2022, and the changes in net assets and 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 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.

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 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 generally accepted auditing standards 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 generally accepted auditing standards 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.


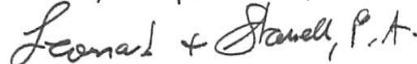
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our 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 the 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 schedule of expenditures of state financial assistance 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 November 29, 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.



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

November 29, 2023
Sarasota, Florida

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

ASSETS

	2023	2022
Cash and cash equivalents	\$ 138,225	\$ 66,523
Cash restricted	100,109	-
Investments	1,550,413	1,794,065
Interest in net assets of Foundation	5,739,960	4,662,620
Accounts receivable, net	1,389,444	1,329,233
Pledge receivable	100,000	10,000
Due from Foundation	5,584	-
Prepaid expenses	216,373	279,171
Deposits	10,692	10,692
Remainder trusts receivable	61,873	67,559
Property, plant and equipment, net	4,987,292	5,026,098
TOTAL ASSETS	\$ 14,299,965	\$ 13,245,961

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 226,285	\$ 180,882
Other accrued expenses	460,428	692,952
Line of credit	80,000	-
Boarding deposits	4,150	3,000
Due to Foundation	-	62,418
Deferred revenue	811,572	780,580
Total Liabilities	1,582,435	1,719,832
Net Assets		
Without donor restrictions	7,067,954	7,987,882
With donor restrictions	5,649,576	3,538,247
Total Net Assets	12,717,530	11,526,129
TOTAL LIABILITIES AND NET ASSETS	\$ 14,299,965	\$ 13,245,961

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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
Revenues, Gains and Other Support			
Contributions	\$ 2,732,354	\$ 400,000	\$ 3,132,354
In-kind contributions	107,365	-	107,365
Special events	732,755	-	732,755
Less direct expenses	(186,677)	-	(186,677)
Program revenue	9,183,196	-	9,183,196
Contributions from Foundation	1,000,000	-	1,000,000
Investment income (loss)	82,933	33,750	116,683
Change in value of split interest agreement	-	(5,686)	(5,686)
Other income	139,170	-	139,170
Net assets released from restrictions			
Satisfaction of program restrictions	24,047	(24,047)	-
Appropriation from donor endowment and satisfaction of donor restrictions	-	-	-
Total net assets released from restrictions	<u>24,047</u>	<u>(24,047)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>13,815,143</u>	<u>404,017</u>	<u>14,219,160</u>
Expenses			
Program services	12,046,401	-	12,046,401
Fundraising	962,012	-	962,012
Management and general	1,051,686	-	1,051,686
	<u>14,060,099</u>	<u>-</u>	<u>14,060,099</u>
Payments to Easter Seals National	45,000	-	45,000
Total Expenses	<u>14,105,099</u>	<u>-</u>	<u>14,105,099</u>
Change in net assets before adjustment for interest in Foundation	(289,956)	404,017	114,061
Adjustment for change in interest in net assets of Foundation	<u>(629,972)</u>	<u>1,707,312</u>	<u>1,077,340</u>
Change in net assets	(919,928)	2,111,329	1,191,401
Net assets at beginning of year	<u>7,987,882</u>	<u>3,538,247</u>	<u>11,526,129</u>
Net assets at end of year	<u>\$ 7,067,954</u>	<u>\$ 5,649,576</u>	<u>\$ 12,717,530</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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
Revenues, Gains and Other Support			
Contributions	\$ 3,392,924	\$ 17,631	\$ 3,410,555
In-kind contributions	95,528	-	95,528
Special events	1,140,004	-	1,140,004
Less direct expenses	(290,500)	-	(290,500)
Program revenue	6,470,920	-	6,470,920
Investment income (loss)	(101,984)	(71,511)	(173,495)
Change in value of split interest agreement	-	(26,351)	(26,351)
Gain (Loss) on disposal of assets	(243)	-	(243)
Other income	73,505	-	73,505
Net assets released from restrictions			
Satisfaction of program restrictions	20,634	(20,634)	-
Appropriation from donor endowment and satisfaction of donor restrictions	535,510	(535,510)	-
Total net assets released from restrictions	556,144	(556,144)	-
Total Revenues, Gains and Other Support	<u>11,336,298</u>	<u>(636,375)</u>	<u>10,699,923</u>
Expenses			
Program services	9,310,623	-	9,310,623
Fundraising	926,611	-	926,611
Management and general	906,221	-	906,221
	11,143,455	-	11,143,455
Payments to Easter Seals National	44,994	-	44,994
Total Expenses	<u>11,188,449</u>	<u>-</u>	<u>11,188,449</u>
Change in net assets before adjustment for interest in Foundation	147,849	(636,375)	(488,526)
Adjustment for change in interest in net assets of Foundation	<u>211,380</u>	<u>(883,978)</u>	<u>(672,598)</u>
Change in net assets	359,229	(1,520,353)	(1,161,124)
Net assets at beginning of year	<u>7,628,653</u>	<u>5,058,600</u>	<u>12,687,253</u>
Net assets at end of year	<u>\$ 7,987,882</u>	<u>\$ 3,538,247</u>	<u>\$ 11,526,129</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, 2023

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	FAMILY SUPPORT SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 1,007,133	\$ 3,234,058	\$ 116,555	\$ 2,023,723
Benefits	145,110	381,406	8,260	343,550
Payroll taxes	76,108	247,301	9,263	154,577
Total personnel expenses	1,228,351	3,862,765	134,078	2,521,850
Advertising	179	908	313	2,850
Contract labor	513,534	1,541,432	5,905	494,856
Dues and subscriptions	579	5,489	62	1,861
Equipment expense	23,322	15,380	427	7,784
Inkind expense	2,315	2,473	94	937
Insurance	72,015	41,814	1,684	16,518
License, fees and taxes	2,548	4,154	72	9,873
Office expense	42,181	57,974	1,016	47,586
Other expenses	16,270	235,727	5,506	127,427
Professional fees	3,163	7,799	287	4,933
Properties	28,587	44,651	1,162	86
Rent	2,926	2,559	119	113,183
Repairs and maintenance	45,339	87,051	1,802	2,311
Supplies	7,342	17,637	4,109	39,097
Telephone	7,655	10,575	248	6,502
Transportation	65,428	14,358	1,972	9,950
Travel and Training	3,387	42,202	167	8,933
Non-personnel expenses	836,770	2,132,183	24,945	894,687
Expenses before depreciation	2,065,121	5,994,948	159,023	3,416,537
Depreciation expense	204,647	114,791	8,450	82,884
TOTAL EXPENSES	\$ 2,269,768	\$ 6,109,739	\$ 167,473	\$ 3,499,421

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2023 TOTALS
\$ 6,381,469	\$ 434,635	\$ 417,315	\$ 851,950	\$ 7,233,419
878,326	49,912	111,092	161,004	1,039,330
487,249	34,942	32,375	67,317	554,566
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7,747,044	519,489	560,782	1,080,271	8,827,315
4,250	52,489	1,147	53,636	57,886
2,555,727	80,212	5,645	85,857	2,641,584
7,991	20,108	12,295	32,403	40,394
46,913	1,191	1,781	2,972	49,885
5,819	220	350	570	6,389
132,031	3,929	16,911	20,840	152,871
16,647	4,735	22,357	27,092	43,739
148,757	21,741	4,366	26,107	174,864
384,930	27,039	39,112	66,151	451,081
16,182	179,724	319,040	498,764	514,946
74,486	2,710	4,297	7,007	81,493
118,787	277	440	717	119,504
136,503	4,297	6,665	10,962	147,465
68,185	-	-	-	68,185
24,980	4,475	6,208	10,683	35,663
91,708	7,169	2,034	9,203	100,911
54,689	12,490	16,996	29,486	84,175
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3,888,585	422,806	459,644	882,450	4,771,035
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11,635,629	942,295	1,020,426	1,962,721	13,598,350
410,772	19,717	31,260	50,977	461,749
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\$ 12,046,401	\$ 962,012	\$ 1,051,686	\$ 2,013,698	\$ 14,060,099

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, 2022

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	FAMILY SUPPORT SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 869,792	\$ 2,694,235	\$ 100,583	\$ 2,065,205
Benefits	138,605	379,123	8,423	337,256
Payroll taxes	69,852	216,972	8,300	168,716
Total personnel expenses	1,078,249	3,290,330	117,306	2,571,177
Advertising	170	2,020	-	28,077
Contributions expense	-	-	-	-
Contract labor	132,628	293,130	2,827	28,904
Dues and subscriptions	1,130	6,080	49	2,918
Equipment expense	19,696	18,778	515	39,618
Inkind expense	671	17,013	2,630	1,984
Insurance	72,648	40,971	1,884	19,621
License, fees and taxes	2,454	7,033	112	13,599
Office expense	38,930	43,730	1,371	36,513
Other expenses	5,808	156,490	4,941	159,281
Professional fees	9,662	37,284	793	22,131
Properties	29,019	28,027	77	11,497
Rent	2,526	2,210	111	105,967
Repairs and maintenance	49,892	59,777	2,223	23,936
Supplies	7,725	39,494	584	29,690
Telephone	15,033	15,704	391	8,917
Transportation	72,891	14,890	1,147	13,752
Travel and Training	3,713	28,254	274	7,551
Non-personnel expenses	464,596	810,885	19,929	553,956
Expenses before depreciation	1,542,845	4,101,215	137,235	3,125,133
Depreciation expense	201,370	112,953	8,315	81,557
TOTAL EXPENSES	\$ 1,744,215	\$ 4,214,168	\$ 145,550	\$ 3,206,690

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2022 TOTALS
\$ 5,729,815	\$ 431,792	\$ 189,493	\$ 621,285	\$ 6,351,100
863,407	54,637	15,815	70,452	933,859
463,840	36,124	20,084	56,208	520,048
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7,057,062	522,553	225,392	747,945	7,805,007
30,267	31,610	-	31,610	61,877
-	-	299,853	299,853	299,853
457,489	58,257	4,044	62,301	519,790
10,177	16,331	851	17,182	27,359
78,607	1,553	1,976	3,529	82,136
22,298	48,921	107	49,028	71,326
135,124	3,502	9,551	13,053	148,177
23,198	2,296	8,557	10,853	34,051
120,544	8,393	4,710	13,103	133,647
326,520	27,525	23,648	51,173	377,693
69,870	157,231	280,164	437,395	507,265
68,620	4,258	2,727	6,985	75,605
110,814	255	482	737	111,551
135,828	4,446	7,780	12,226	148,054
77,493	-	-	-	77,493
40,045	1,337	2,270	3,607	43,652
102,680	7,085	1,293	8,378	111,058
39,792	11,657	2,056	13,713	53,505
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1,849,366	384,657	650,069	1,034,726	2,884,092
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8,906,428	907,210	875,461	1,782,671	10,689,099
404,195	19,401	30,760	50,161	454,356
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\$ 9,310,623	\$ 926,611	\$ 906,221	\$ 1,832,832	\$ 11,143,455

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>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Collections from consumers	\$ 9,142,904	\$ 6,583,483
Operating expenses paid	(13,657,238)	(10,632,952)
Interest received	36,791	28,205
Interest paid	(3,070)	-
Other income received	4,671,823	4,021,112
Net cash provided by (used in) operating activities	<u>191,210</u>	<u>(152)</u>
Cash flow from investing activities		
(Purchases) of buildings and equipment	(422,943)	(452,259)
Sales of investments, net	323,544	(621,197)
Net cash provided by (used in) investing activities	<u>(99,399)</u>	<u>(1,073,456)</u>
Cash flow from financing activities		
Net receipts (payments) from line of credit	<u>80,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>80,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	171,811	(1,073,608)
Cash and cash equivalents, Beginning of year	<u>66,523</u>	<u>1,140,131</u>
Cash and cash equivalents, End of year	<u>\$ 238,334</u>	<u>\$ 66,523</u>
Reconciliation of changes in net assets to net cash from operating activities:		
Change in net assets	\$ 1,191,401	\$ (1,161,124)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	461,749	454,356
(Gain)/loss on disposal of assets	-	243
Realized and unrealized (gain)/loss on investments	(79,892)	201,700
Change in value of split interest agreements	5,686	26,351
Change in net assets of Foundation	(1,077,340)	672,598
In-Kind donation, net	-	(7,500)
(Increase) decrease in assets:		
Accounts receivable	(60,211)	106,629
Pledge receivable	(90,000)	30,000
Prepaid expenses	62,798	(69,811)
Due from Foundation	(5,584)	102,625
Increase (decrease) in liabilities:		
Accounts payable	45,403	(72,441)
Other accrued expenses	(232,524)	142,173
Boarding deposits	1,150	3,000
Deferred revenue	30,992	(491,369)
Due to Foundation	(62,418)	62,418
Net cash provided by (used in) operating activities	<u>\$ 191,210</u>	<u>\$ (152)</u>
Other Supplemental Disclosures:		
Cash and cash equivalents	\$ 138,225	\$ 66,523
Cash restricted	100,109	-
	<u>\$ 238,334</u>	<u>\$ 66,523</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).

Newly Adopted Accounting Pronouncement

Effective September 1, 2021, the Organization adopted new accounting guidance by implementing the provisions of Financial Accounting Standards Board (FASB) ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities.

Effective September 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*, as amended, which in some instances requires lessees to recognize leases on their statement of financial position as lease liabilities with corresponding right-of-use-assets. The lease liability is measured at the present value of unpaid lease payments based on the reasonably certain lease term and corresponding discount rate. Upon implementation, management determined that there were no material long-term leases that would require recognition on the statements of financial position under Topic 842.

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.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

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

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.

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, as well as customer credit worthiness. An allowance for doubtful accounts has been established for accounts receivable at August 31, 2023 and 2022 in the amount of \$2,811 and \$22,730, respectively.

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 Trusts 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, 2023 and 2022 was \$461,749 and \$454,356, respectively. Repair and maintenance costs are expensed as incurred.

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

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

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.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$57,886 in 2023 and \$61,877 in 2022.

Contributions

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 statements of activities as net assets released from restrictions.

The Organization receives items of personal property from donors from time to time. The contributed property is valued at an estimated value at which approximates the lower of cost or net realizable value. The Organization utilizes non-financial assets across its various programs in providing services rather than monetizing them.

The Organization recognized the following contributed nonfinancial assets within revenue for the year ended August 31,:

	<u>2023</u>	<u>2022</u>
Advertising and promotional services	\$ 45,000	\$ 66,070
Fundraising and auction items	45,975	-0-
Repairs and maintenance services	16,390	19,358
Golf cart	-0-	7,500
Music lessons	-0-	2,600
	<u>\$ 107,365</u>	<u>\$ 95,528</u>

Advertising and promotional services, and fundraising and auction items were donated from local public media companies to assist in promoting various fundraising events of the Organization during the year. The value of the services provided was based on the current rates for similar services.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

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

Contributions – continued

Repairs and maintenance services consisted of various air conditioning and other repairs and services made throughout the building during the year and consist of labor and material costs. The services are valued and reported based on current rates for similar services.

The golf cart was donated to the Organization during the year for general service use for Instride Therapy. The value was estimated on the wholesale value that would be received for selling a similar product in the United States.

The music lessons consisted of private lessons with an opportunity to perform with a group of peers for students of the school. The lessons were valued and reported based on current rates for similar lessons.

Pledge Receivable

Revenues from unconditional promises to give (pledge receivable) are recognized as contributions in the period in which a receipt or an unconditional promise to give is received. Promises to give in the future are valued at the present value of the estimated future cash flows. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At August 31, 2023 and 2022, the Organization deems all amounts collectable.

Revenue Recognition

In accordance with Topic 606, the Organization recognizes revenue when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The Organization records revenue from exchange transactions based on a five-step model for its customers with contracts: identify the contract, identify performance obligation, determine the transaction price, allocate the contract transaction price to the performance obligations, and recognize the revenue when control of goods or services is transferred to the customer.

The Organization has revenue streams that are accounted for as exchange transactions including program based revenue (therapy and client related services, as well as school tuition), and special events. Related receivables (contract assets) were \$1,389,444, \$1,329,233, and \$1,435,862 for the years ended August 31, 2023, 2022 and 2021, respectively, and these are included in accounts receivable, net on the statements of financial position. Contract liabilities, which are payments received in advance were \$811,572, \$780,580 and \$1,271,949 at August 31, 2023, 2022 and 2021, respectively, and are included as deferred revenue in the statements of financial position.

The following revenue stream is recognized over time:

Tuition

The Organization charges stated tuition and fees that are recognized over the school year as instruction is provided and the performance obligation is considered to have been met. Tuition collected in advance are considered

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

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

Tuition – continued

contract liabilities–deferred revenue on the statements of financial position. Tuition collected on payment plans are at stated rates and all tuition and related fees are recognized over the course of the school year as instruction is provided. All tuition amounts are expected to be paid during the applicable school year. Amounts received as scholarships from the State of Florida are recognized in the same manner. Total tuition, including scholarship awards, in 2023 and 2022 was \$1,154,010 and \$1,278,483, respectively.

The following revenue streams are recognized at a point in time:

Therapy and client services

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. These include direct pay and reimbursement from third parties, such as insurance providers and state and local governments or other nonprofit organizations. The total of these services in 2023 and 2022 were \$8,029,186 and \$5,192,437.

Special Events

Special event income includes events to raise money for the Organization’s ongoing programs and operations and is recognized at the time of the event.

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, and as the related activity occurs to achieve the purpose of the fixed–price performance based contract. The revenues are included as part of program revenue in providing services to clients.

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 Services

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.

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

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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 consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

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.

NOTE B – INVESTMENTS

Investments for the year ended August 31, 2023 were as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Appreciation (Depreciation)</u>
Without donor restriction	\$ 975,089	\$ 988,085	\$ 12,996
With donor restriction	568,679	562,328	(6,351)
	<u>\$ 1,543,768</u>	<u>\$ 1,550,413</u>	<u>\$ 6,645</u>

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

NOTE B – INVESTMENTS – CONTINUED

Investments for the year ended August 31, 2022 were as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Appreciation (Depreciation)</u>
Without donor restriction	\$ 1,242,528	\$ 1,241,439	\$ (1,089)
With donor restriction	562,370	552,626	(9,744)
	<u>\$ 1,804,898</u>	<u>\$ 1,794,065</u>	<u>\$ (10,833)</u>

Investments consist of the following at August 31,:

	<u>2023</u>	<u>2022</u>
	<u>FAIR MARKET VALUE</u>	<u>FAIR MARKET VALUE</u>
Money market funds	\$ 228,031	276,868
Mutual funds:		
Corporate bond funds	161,287	230,602
Stock funds	185,408	393,658
Commodities	12,787	9,535
Real estate	13,797	124,727
Mutual funds – equity	842,088	758,675
Alternative investments	107,015	-
	<u>\$ 1,550,413</u>	<u>\$ 1,794,065</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 36,791	\$ 28,205
Realized gains (losses) on investments	12,160	14,117
Unrealized gains (losses) on investments	67,732	(215,817)
Total	<u>\$ 116,683</u>	<u>\$ (173,495)</u>

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, 2023 and 2022 are as follows:

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

Fair Value Measurements – continued

	2023			Totals
	Level 1	Level 2	Level 3	
Short-term Money Market	\$ -	\$ 228,031	\$ -	\$ 228,031
Equities:				
Large Cap	152,857	-	-	152,857
Small Cap	1,621	-	-	1,621
International	-	30,930	-	30,930
Mutual Funds – Equity	842,088	-	-	842,088
Commodities	-	12,787	-	12,787
Real Estate Funds	13,797	-	-	13,797
Fixed Income				
Corporate/Government	-	161,287	-	161,287
Alternative investments	-	107,015	-	107,015
Interest in net assets of the Foundation	-	-	5,739,960	5,739,960
Interest in Remainder Trusts	-	-	61,873	61,873
Totals	\$ 1,010,363	\$ 540,050	\$ 5,801,833	\$ 7,352,246

	2022			Totals
	Level 1	Level 2	Level 3	
Short-term Money Market	\$ -	\$ 276,868	\$ -	\$ 276,868
Equities				
Large Cap	245,257	-	-	245,257
Mid Cap	10,439	-	-	10,439
Small Cap	5,976	-	-	5,976
International	-	131,986	-	131,986
Mutual Funds – Equity	758,675	-	-	758,675
Commodities	-	9,535	-	9,535
Real Estate Funds	18,192	106,535	-	124,727
Fixed Income				
Corporate/Government	-	230,602	-	230,602
Interest in net assets of the Foundation	-	-	4,662,620	4,662,620
Interest in Remainder Trusts	-	-	67,559	67,559
Totals	\$ 1,038,539	\$ 755,526	\$ 4,730,179	\$ 6,524,244

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, 2023 and 2022.

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.

Equities and Commodities:

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

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

NOTE B – INVESTMENTS – CONTINUED

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, Real Estate and Alternative Funds:

Mutual, real estate funds and alternative investments 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 the Foundation</u>	<u>8/31/2023</u>	<u>8/31/2022</u>
Beginning Balance	\$ 4,662,620	\$ 5,335,218
Change in value of interest in net assets of Foundation	1,077,340	(672,598)
Ending Balance	<u>\$ 5,739,960</u>	<u>\$ 4,662,620</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

<u>Interest in Remainder Trusts</u>	<u>8/31/2023</u>	<u>8/31/2022</u>
Beginning Balance	\$ 67,559	\$ 93,910
Distributions received	-	-
Change in value of interest in Remainder	(5,686)	(26,351)
Ending Balance	<u>\$ 61,873</u>	<u>\$ 67,559</u>

NOTE C – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at August 31, 2023 and 2022:

	<u>2023</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 2,410,671	\$ -	\$ 2,410,671
Construction in progress	287,899	-	287,899
Land improvements	292,678	(260,190)	32,488
Buildings and improvements	4,743,127	(2,987,230)	1,755,897
Leasehold improvements	1,469	(188)	1,281
Vehicles	772,821	(680,744)	92,077
Furniture, fixtures and equipment	771,324	(536,091)	235,233
Horses	21,200	(7,391)	13,809
Software	457,531	(299,594)	157,937
Totals	<u>\$ 9,758,720</u>	<u>\$ (4,771,428)</u>	<u>\$ 4,987,292</u>

	<u>2022</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 2,410,671	\$ -	\$ 2,410,671
Construction in progress	40,094	-	40,094
Land improvements	290,343	(253,104)	37,239
Buildings and improvements	4,728,965	(2,781,542)	1,947,423
Leasehold improvements	1,469	(90)	1,379
Vehicles	772,821	(613,210)	159,611
Furniture, fixtures and equipment	666,234	(472,967)	193,267
Horses	21,200	(4,667)	16,533
Software	403,982	(184,101)	219,881
Totals	<u>\$ 9,335,779</u>	<u>\$ (4,309,681)</u>	<u>\$ 5,026,098</u>

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

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditures for specified purposes:		
Charitable remainder trusts	\$ 61,873	\$ 67,559
Pledges receivable	100,000	-
Capital improvements	300,000	-
Interest in net assets of Foundation	1,550,394	12,020
	<u>\$ 2,012,267</u>	<u>\$ 79,579</u>
Subject to spending policy and appropriation:		
Investment in perpetuity (Endowment Fund)	\$ 562,328	\$ 552,626
Interest in nets assets of Foundation	3,074,980	2,906,042
	<u>\$ 3,637,308</u>	<u>\$ 3,458,668</u>
 Total net assets with donor restrictions	 <u><u>\$ 5,649,575</u></u>	 <u><u>\$ 3,538,247</u></u>

In the statements 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, 2023 and 2022 in the amount of \$24,047 and \$556,144, 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:

	<u>Percent of Total Fund</u>		
	<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 Moody's.

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

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

NOTE E – ENDOWMENT – CONTINUED

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, 2023, 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-	\$ 562,328	\$ 562,328

The Endowment consists of the following at August 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning Balance	\$ -	\$ 552,626	\$ 552,626
Current year contributions	-	-	-
Investment return:			
Net income	-	11,658	11,658
Net appreciation/(depreciation)	-	22,091	22,091
Current year distributions	-	(22,118)	(22,118)
Amounts appropriated for expenditures	-	(1,929)	(1,929)
Total	<u>\$ -</u>	<u>\$ 562,328</u>	<u>\$ 562,328</u>

For the year ended August 31, 2022, 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-	\$ 552,626	\$ 552,626

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

NOTE E – ENDOWMENT – CONTINUED

The Endowment consists of the following at August 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning Balance	\$ -	\$ 639,657	\$ 639,657
Current year contributions	-	-	-
Investment return:			
Net income	-	18,260	18,260
Net appreciation/(depreciation)	-	(72,139)	(72,139)
Current year distributions	-	-	-
Amounts appropriated for expenditures	-	(33,152)	(33,152)
Total	<u>\$ -</u>	<u>\$ 552,626</u>	<u>\$ 552,626</u>

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 \$244,352 and \$219,366 for 2023 and 2022, respectively.

NOTE G – LINE OF CREDIT

The Organization has a line of credit (LOC) with a financial institution, in an amount not to exceed \$500,000. The interest rate on the LOC is at SOFR plus 2% (7.32008% at August 31, 2023). The LOC matures in December 2025. The LOC is collateralized by marketable securities held in an investment account.

At August 31, 2023, the total amount outstanding on the LOC amounted to \$80,000.

NOTE H – 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, 2023, the Organization received support from the Foundation in the amount of \$202,104 for purchased services. This amount represented contributions of \$151,104 for wages and benefits, \$39,000 for legal and professional fees, and \$12,000 for software fees. The Organization also received a contribution of \$1,000,000 from the Foundation. At August 31, 2023, the Foundation owed the Organization \$5,584.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – RELATED PARTY TRANSACTIONS – CONTINUED

During the fiscal year ended August 31, 2022, the Organization received support from the Foundation in the amount of \$241,298 for purchased services. This amount represented contributions of \$175,298 for wages and benefits, \$39,000 for legal and professional fees, and \$27,000 for software fees. The Organization contributed \$299,854 to the Foundation in 2022. The Foundation repaid \$102,265 to the Organization during 2022. At August 31, 2022, the Organization owed the Foundation \$62,418.

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, 2023 and 2022, the Organization's interest in the net assets of the Foundation was \$5,739,960 and \$4,662,620, 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 statements of activities for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Adjustment for change in interest In net assets of Foundation	<u>\$ 1,077,340</u>	<u>\$ (672,598)</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 \$0 outstanding on the line-of-credit at August 31, 2023 and 2022, respectively.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 238,334	\$ 66,523
Accounts receivable	1,389,444	1,329,233
Due from Foundation	5,584	-
Investments	988,085	1,241,439
Total	<u>\$ 2,621,447</u>	<u>\$ 2,637,195</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. The Organization also has a line of credit with a financial institution in the amount of \$500,000.

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.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 29, 2023, the date on which the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**EASTER SEALS SOUTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED AUGUST 31, 2023**

State Grantor/Pass-through Grantor/Project	CSFA Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Total State Expenditures
Florida Department of Transportation Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	446983-1-84-02	\$ -	\$ 44,383
Total Florida Department of Transportation			\$ -	\$ 44,383
Florida Department of State Art Initiative Program	45.062	22c.pr.200.648	\$ -	\$ 25,000
Total Florida Department of State			\$ -	\$ 25,000
Florida Agency for Persons with Disabilities Easter Seals Southwest Florida, Inc.	67.071	ACZ02	\$ 2,050,000	\$ 5,000,000
Total Florida Agency for Persons with Disabilities			\$ 2,050,000	\$ 5,000,000
Total Expenditures of State Financial Assistance			<u>\$ 2,050,000</u>	<u>\$ 5,069,383</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 10.650. 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 November 29, 2023, 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's state grant awards are fixed-price performance based awards. 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 supplementary 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, 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, 2023, 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 November 29, 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, 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.

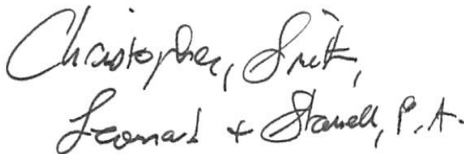
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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 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 & Stanell, P.A."

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

November 29, 2023
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

Opinion on Each Major State Project

We have audited Easter Seals Southwest Florida, Inc.'s (the Organization) compliance with the types of compliance 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 each of the Organization's major state projects for the year ended August 31, 2023. 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.

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, 2023.

Basis for Opinion on Each Major State Project

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 the audit requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida. Our responsibilities under those standards and Chapter 10.650, Rules of the Auditor General of the State of Florida 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 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 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 generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650 Rules of the Auditor General of the State of Florida 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 state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Chapter 10.650, Rules of the Auditor General of the State of Florida, 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 Chapter 10.650, Rules of the Auditor General of the State of Florida, 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

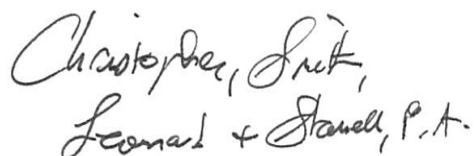
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion 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 Chapter 10.650, Rules of the Auditor General of the State of Florida. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Christopher, Smith, Leonard & Stanell, P.A."

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

November 29, 2023
Bradenton, Florida

EASTER SEALS SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2023

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:

Florida Agency for Persons with Disabilities Easter Seals Southwest Florida, Inc.	<u>CSFA Number</u> 67.071
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>

**EASTER SEALS SOUTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2023**

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.