

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
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**JUNE 30, 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Easterseals Northeast Central Florida, Inc.:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Easterseals Northeast Central Florida, Inc. (the Organization), which comprise the statement of financial position as of June 30, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit 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 Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Accounting Policy Change***

As discussed in Note (1)(i) and (1)(q) to the financial statements, effective January 1, 2022, the Organization adopted new accounting guidance for leases. Our opinion is not modified with respect to this matter.

#### ***Other Matter***

The financial statements of the Organization for the year ended June 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***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 for one year after the date that the financial statements are issued.

### ***Auditors' 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 auditors' 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 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 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 federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Florida Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and 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 December 14, 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.

*James Moore & Co., P.L.*

Daytona Beach, Florida  
December 14, 2023

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2023**  
**(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)**

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>2023<br/>Total</u>      | <u>2022<br/>Total</u>      |
|---|---------------------------------------|------------------------------------|----------------------------|----------------------------|
| <b><u>ASSETS</u></b>                            |                                       |                                    |                            |                            |
| <b>Current assets</b>                           |                                       |                                    |                            |                            |
| Cash and cash equivalents                       | \$ 871,275                            | \$ 60,036                          | \$ 931,311                 | \$ 3,366,735               |
| Accounts receivable, net                        | 1,731,363                             | -                                  | 1,731,363                  | 1,450,063                  |
| Pledges, grants, and other receivables          | 2,885,229                             | -                                  | 2,885,229                  | 116,767                    |
| Certificates of deposit                         | 155,000                               | 150,000                            | 305,000                    | 800,000                    |
| Prepaid expenses and other current assets       | 113,818                               | -                                  | 113,818                    | 83,127                     |
| Inter-fund receivable (payable)                 | (423,909)                             | 423,909                            | -                          | -                          |
| Total current assets                            | <u>5,332,776</u>                      | <u>633,945</u>                     | <u>5,966,721</u>           | <u>5,816,692</u>           |
| Property and equipment, net                     | 3,183,251                             | -                                  | 3,183,251                  | 1,808,829                  |
| Operating leases - right of use assets, net     | 750,163                               | -                                  | 750,163                    | -                          |
| <b>Total Assets</b>                             | <u><u>\$ 9,266,190</u></u>            | <u><u>\$ 633,945</u></u>           | <u><u>\$ 9,900,135</u></u> | <u><u>\$ 7,625,521</u></u> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>        |                                       |                                    |                            |                            |
| <b>Current liabilities</b>                      |                                       |                                    |                            |                            |
| Accounts payable                                | \$ 458,391                            | \$ -                               | \$ 458,391                 | \$ 150,072                 |
| Accrued expenses                                | 873,881                               | -                                  | 873,881                    | 668,137                    |
| Refundable advance                              | 73,230                                | -                                  | 73,230                     | 467,884                    |
| Current portion of operating lease liability    | 328,997                               | -                                  | 328,997                    | -                          |
| Current portion of long-term debt               | 12,483                                | -                                  | 12,483                     | 12,109                     |
| Total current liabilities                       | <u>1,746,982</u>                      | <u>-</u>                           | <u>1,746,982</u>           | <u>1,298,202</u>           |
| <b>Long-term liabilities</b>                    |                                       |                                    |                            |                            |
| Operating lease liability, less current portion | 438,497                               | -                                  | 438,497                    | -                          |
| Long-term debt, less current portion            | 473,444                               | -                                  | 473,444                    | 485,927                    |
| Total long-term liabilities                     | <u>911,941</u>                        | <u>-</u>                           | <u>911,941</u>             | <u>485,927</u>             |
| Total liabilities                               | <u>2,658,923</u>                      | <u>-</u>                           | <u>2,658,923</u>           | <u>1,784,129</u>           |
| <b>Net assets</b>                               |                                       |                                    |                            |                            |
| Without donor restrictions:                     |                                       |                                    |                            |                            |
| Invested in property, equipment, and leases     | 3,556,987                             | -                                  | 3,556,987                  | 1,310,793                  |
| Undesignated                                    | 3,050,280                             | -                                  | 3,050,280                  | 3,312,258                  |
| Total without donor restrictions                | <u>6,607,267</u>                      | <u>-</u>                           | <u>6,607,267</u>           | <u>4,623,051</u>           |
| With donor restrictions                         | -                                     | 633,945                            | 633,945                    | 1,218,341                  |
| Total net assets                                | <u>6,607,267</u>                      | <u>633,945</u>                     | <u>7,241,212</u>           | <u>5,841,392</u>           |
| <b>Total Liabilities and Net Assets</b>         | <u><u>\$ 9,266,190</u></u>            | <u><u>\$ 633,945</u></u>           | <u><u>\$ 9,900,135</u></u> | <u><u>\$ 7,625,521</u></u> |

The accompanying notes to financial statements  
are an integral part of this statement.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>2023<br/>Total</b> | <b>2022<br/>Total</b> |
|--|---------------------------------------|------------------------------------|-----------------------|-----------------------|
| <b>Operating revenues and gains</b>  |                                       |                                    |                       |                       |
| Public support:  |                                       |                                    |                       |                       |
| Contributions  | \$ 178,406                            | \$ 190,713                         | \$ 369,119            | \$ 193,659            |
| Fundraising  | 217,174                               | -                                  | 217,174               | 149,725               |
| Bequests and memorial gifts  | 5,846                                 | -                                  | 5,846                 | 235                   |
| Contributed services   | 12,755                                | -                                  | 12,755                | 10,897                |
| Total public support   | <u>414,181</u>                        | <u>190,713</u>                     | <u>604,894</u>        | <u>354,516</u>        |
| Revenue:   |                                       |                                    |                       |                       |
| Federal and State grants   | 5,107,310                             | -                                  | 5,107,310             | 3,629,338             |
| Employee Retention Credit  | 2,683,845                             | -                                  | 2,683,845             | -                     |
| Other grants   | 21,784                                | 330,000                            | 351,784               | 31,500                |
| Medicaid   | 986,721                               | -                                  | 986,721               | 634,676               |
| Program service fees and revenue   | 5,437,928                             | -                                  | 5,437,928             | 5,739,003             |
| Investment income, net   | 4,367                                 | 2,879                              | 7,246                 | 429                   |
| Other income   | 86,825                                | -                                  | 86,825                | 94,163                |
| Total revenue  | <u>14,328,780</u>                     | <u>332,879</u>                     | <u>14,661,659</u>     | <u>10,129,109</u>     |
| <b>Net assets released from restrictions</b>                                 |                                       |                                    |                       |                       |
| Net assets released from restrictions  | 1,107,988                             | (1,107,988)                        | -                     | -                     |
| Total operating revenues, gains and net assets<br>released from restrictions | <u>15,850,949</u>                     | <u>(584,396)</u>                   | <u>15,266,553</u>     | <u>10,483,625</u>     |
| <b>Operating expenses</b>  |                                       |                                    |                       |                       |
| Program services:  |                                       |                                    |                       |                       |
| Public health and education  | 162,093                               | -                                  | 162,093               | 139,274               |
| Professional education and training  | 32,419                                | -                                  | 32,419                | 27,855                |
| Direct services  | 12,350,136                            | -                                  | 12,350,136            | 10,329,613            |
| Total program services   | <u>12,544,648</u>                     | <u>-</u>                           | <u>12,544,648</u>     | <u>10,496,742</u>     |
| Supporting services:   |                                       |                                    |                       |                       |
| Management and general   | 1,143,489                             | -                                  | 1,143,489             | 739,305               |
| Fundraising  | 129,672                               | -                                  | 129,672               | 111,417               |
| Membership   | 48,924                                | -                                  | 48,924                | 48,395                |
| Total program and supporting services  | <u>13,866,733</u>                     | <u>-</u>                           | <u>13,866,733</u>     | <u>11,395,859</u>     |
| <b>Change in net assets before other gains and losses</b>                    | <u>1,984,216</u>                      | <u>(584,396)</u>                   | <u>1,399,820</u>      | <u>(912,234)</u>      |
| Gain on extinguishment of debt   | -                                     | -                                  | -                     | 1,335,281             |
| <b>Change in net assets</b>  | <u>1,984,216</u>                      | <u>(584,396)</u>                   | <u>1,399,820</u>      | <u>423,047</u>        |
| <b>Net assets, beginning of year</b>   | 4,623,051                             | 1,218,341                          | 5,841,392             | 5,418,345             |
| <b>Net assets, end of year</b>   | <u>\$ 6,607,267</u>                   | <u>\$ 633,945</u>                  | <u>\$ 7,241,212</u>   | <u>\$ 5,841,392</u>   |

The accompanying notes to financial statements  
are an integral part of this statement.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

|   | Program Services              |   |                      |                              | Supporting Services       |                   |                   |                                 | 2023<br>Total        | 2022<br>Total        |
|---|-------------------------------|---|----------------------|------------------------------|---------------------------|-------------------|-------------------|---------------------------------|----------------------|----------------------|
|   | Public<br>Health<br>Education | Professional<br>Education<br>and Training | Direct<br>Services   | Total<br>Program<br>Services | Management<br>and General | Fund<br>Raising   | Membership        | Total<br>Supporting<br>Services |                      |                      |
| Salaries and benefits                   | \$ 78,363                     | \$ 15,673                                 | \$ 8,888,277         | \$ 8,982,313                 | \$ 622,950                | \$ 62,690         | \$ -              | \$ 685,640                      | \$ 9,667,953         | \$ 8,096,935         |
| Professional fees                       | 44,835                        | 8,967                                     | 2,026,778            | 2,080,580                    | 345,904                   | 35,868            | -                 | 381,772                         | 2,462,352            | 1,748,661            |
| Occupancy                               | 6,022                         | 1,204                                     | 534,214              | 541,440                      | 56,471                    | 4,817             | -                 | 61,288                          | 602,728              | 487,417              |
| Supplies                                | 356                           | 71  | 373,566              | 373,993                      | 7,871                     | 284               | -                 | 8,155                           | 382,148              | 393,925              |
| Depreciation                            | 2,473                         | 495                                       | 144,724              | 147,692                      | 27,453                    | 1,979             | -                 | 29,432                          | 177,124              | 148,145              |
| Travel                                  | 321                           | 64  | 106,278              | 106,663                      | 4,637                     | 256               | -                 | 4,893                           | 111,556              | 77,766               |
| Small equipment and maintenance         | 960                           | 192                                       | 62,887               | 64,039                       | 7,762                     | 768               | -                 | 8,530                           | 72,569               | 70,850               |
| Insurance                               | 1,437                         | 287                                       | 53,810               | 55,534                       | 8,303                     | 1,150             | -                 | 9,453                           | 64,987               | 48,229               |
| Telecommunications                      | 458                           | 92  | 53,136               | 53,686                       | 5,761                     | 366               | -                 | 6,127                           | 59,813               | 84,030               |
| Printing and publications               | 13,664                        | 2,733                                     | 19,994               | 36,391                       | 11,793                    | 10,931            | -                 | 22,724                          | 59,115               | 48,183               |
| Conferences and meetings                | 3,348                         | 670                                       | 17,846               | 21,864                       | 24,642                    | 2,678             | -                 | 27,320                          | 49,184               | 22,807               |
| Membership fees                         | -                             | -   | -                    | -                            | -                         | -                 | 48,924            | 48,924                          | 48,924               | 48,395               |
| Other                                   | 3,072                         | 614                                       | 20,894               | 24,580                       | 9,273                     | 2,458             | -                 | 11,731                          | 36,311               | 40,051               |
| Bad debt expense                        | -                             | -   | 17,304               | 17,304                       | -                         | -                 | -                 | -                               | 17,304               | 11,811               |
| Postage and shipping                    | 131                           | 26  | 13,235               | 13,392                       | 1,059                     | 105               | -                 | 1,164                           | 14,556               | 15,746               |
| Specific assistance                     | 3,950                         | 790                                       | 2,170                | 6,910                        | 3,761                     | 3,160             | -                 | 6,921                           | 13,831               | 10,882               |
| Interest                                | 195                           | 39  | 10,964               | 11,198                       | 2,169                     | 156               | -                 | 2,325                           | 13,523               | 31,804               |
| Contributed services                    | 2,508                         | 502                                       | 4,059                | 7,069                        | 3,680                     | 2,006             | -                 | 5,686                           | 12,755               | 10,222               |
| Total before allocations                | 162,093                       | 32,419                                    | 12,350,136           | 12,544,648                   | 1,143,489                 | 129,672           | 48,924            | 1,322,085                       | 13,866,733           | 11,395,859           |
| Allocation of management<br>and general | 17,273                        | 3,455                                     | 1,108,943            | 1,129,671                    | (1,143,489)               | 13,818            | -                 | (1,129,671)                     | -                    | -                    |
| Total                                   | <u>\$ 179,366</u>             | <u>\$ 35,874</u>                          | <u>\$ 13,459,079</u> | <u>\$ 13,674,319</u>         | <u>\$ -</u>               | <u>\$ 143,490</u> | <u>\$ 112,402</u> | <u>\$ 192,414</u>               | <u>\$ 13,866,733</u> | <u>\$ 11,395,859</u> |

The accompanying notes to financial statements  
are an integral part of this statement.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)**

|   | <b>2023</b>       | <b>2022</b>         |
|---|-------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                   |                     |
| Change in net assets  | \$ 1,399,820      | \$ 423,047          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                     |
| Depreciation and amortization   | 452,072           | 148,145             |
| Bad debt expense - net of recoveries  | 17,304            | 11,811              |
| Gain on extinguishment of debt, net of forgiven interest  | -                 | (1,317,285)         |
| Changes in operating assets and liabilities:  |                   |                     |
| Accounts receivable   | (298,604)         | (582,102)           |
| Pledges and other receivables   | (2,768,462)       | 89,964              |
| Prepaid expenses and other current assets   | (30,691)          | 20,413              |
| Accounts payable  | 308,319           | (95,362)            |
| Accrued expenses  | 205,744           | 128,837             |
| Accrued interest  | -                 | (9,860)             |
| Refundable advance  | (394,654)         | (302,320)           |
| Operating lease liability   | (257,617)         | -                   |
| Total adjustments   | (2,766,589)       | (1,907,759)         |
| Net cash provided by (used in) operating activities   | (1,366,769)       | (1,484,712)         |
| <b>Cash flows from investing activities</b>   |                   |                     |
| Purchases of property and equipment   | (1,551,546)       | (210,782)           |
| Purchases of certificates of deposit  | (305,000)         | (800,000)           |
| Proceeds from maturity of certificates of deposit   | 800,000           | 800,000             |
| Net cash provided by (used in) investing activities   | (1,056,546)       | (210,782)           |
| <b>Cash flows from financing activities</b>   |                   |                     |
| Proceeds from long term debt borrowings   | -                 | 375,233             |
| Principal payments on long-term debt  | (12,109)          | (1,964)             |
| Net cash provided by (used in) financing activities   | (12,109)          | 373,269             |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | (2,435,424)       | (1,322,225)         |
| <b>Cash and cash equivalents, beginning of year</b>   | 3,366,735         | 4,688,960           |
| <b>Cash and cash equivalents, end of year</b>   | <u>\$ 931,311</u> | <u>\$ 3,366,735</u> |
| <b>Supplemental disclosure of cash flow information</b>   |                   |                     |
| Cash paid for interest  | \$ 13,523         | \$ 13,807           |
| <b>Supplemental disclosure of non-cash investing and financing activities</b>                         |                   |                     |
| Right of use assets obtained in exchange for operating lease obligations                              | \$ 1,025,111      | \$ -                |

The accompanying notes to financial statements  
are an integral part of this statement.



**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

(1) **Summary of Significant Accounting Policies:**

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

**Organization**—The accompanying financial statements include the accounts of Easterseals Northeast Central Florida, Inc. (the Organization) and Easterseals Charter School (the School). The Organization has a controlling financial interest and an economic interest in the School. The School is a division of the Organization. As such, the School's results of operations are reported in the accompanying financial statements. All significant interdepartmental accounts and transactions have been eliminated in the Organizations financial statements. Easterseals Northeast Central Florida, Inc. is a not-for-profit corporation that provides services to children and adults with disabilities or other special needs and their families. The Organization offers a broad range of services, including the following: early intervention, developmental screenings, early childhood education, autism diagnosis, in-depth functional evaluations, specialized pediatric therapy interventions, and robust family support, including behavior supports, youth and transition services, mental health counseling, targeted case management, and a dedicated pediatric navigator. These programs are operated at various locations in Volusia, Flagler, Putnam, Lake, and Sumter Counties in the State of Florida.

The general operating authority of the School is contained in Section 1002.33 of the Florida Statutes. The School operates under a charter with the sponsoring school district, which is the Volusia County School Board, Florida (the District) and began operations in September 2005. The current charter was effective July 1, 2018, through June 29, 2023, but was not renewed and the School terminated June 29, 2023. Pursuant to the Florida Statutes, in the event the School is dissolved or terminated, any unencumbered public funds (excluding unencumbered capital outlay funds) and all School property purchased with public funds automatically revert to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is a Florida public school and is subject to supervisory jurisdiction of the District and accountable to the District for performance, as provided by the charter agreement and Florida Statutes.

(a) **Basis of accounting**—The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred. Federal, State, and local government and public grants are recorded as revenue when performance occurs under the terms of the grant agreement.

(b) **Basis of presentation**—Net assets, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions*—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. In general, net assets without donor restrictions of the Organization may be used at the discretion of the Organization's management and the Board of Directors to support the Organization's purpose and operations, including the investment in property and equipment.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

*Net Assets with Donor Restrictions*—Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When the donor stipulated the investment of the gift corpus in perpetuity, the income generated from the investment of corpus is available for the Organization's operations in accordance with the donor restrictions. Appreciation related to the net assets with donor restrictions, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate net asset class based on existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on net assets that are temporary in nature (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. It is the Organization's policy to record donor-restricted contributions on which restrictions are met in the same reporting period as contributions without donor restrictions.

(c) **Cash and cash equivalents**—For the purposes of the statement of cash flows, the Organization considers all cash on hand and in bank accounts, including highly liquid investments purchased with maturities of three months or less, to be cash and cash equivalents.

Investments in certificates of deposit with donor restrictions are not classified as cash and cash equivalents because these highly liquid investments have original purchase maturities in excess of three months.

(d) **Fair value of financial instruments**—Certificates of deposit (CDs) are recorded at cost plus accrued interest, which approximates fair value. Other financial instruments consist mainly of accounts receivable and accounts payable. The carrying amounts of these financial instruments approximate fair value due to either their short-term nature or their relationship to market rates of interest.

(e) **Accounts receivable**—Accounts receivable include balances due from contracts and clients for various program services performed during the course of normal operations and are carried at their estimated collectible amounts. Contract related receivables are due primarily from governmental units under the terms of various contracts. Due to the nature of these agencies, no allowance for uncollectible amounts has been established on contract-related receivables. The Organization regularly reviews the average outstanding client receivable balances for the fiscal year and estimates collectability. The Organization provides for these estimated uncollectible amounts through a charge to earnings and a credit to an allowance for discounts or an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Third party insurance revenues, including Medicaid revenues are reported net of discounts and applicable allowances.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

Accounts receivable balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the applicable allowance accounts and a credit to accounts receivable. The Organization does not accrue interest income on outstanding receivable balances.

(f) **Pledges, Grants, and other receivables**—Unconditional promises to give are recognized as revenues when an unconditional promise to give is made (pledge receivable) or when cash is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

At June 30, 2023, the Organization had no pledges receivable. There were no allowances associated with these, grants, or other receivables.

The Organization had no conditional promises to give at June 30, 2023.

(g) **Impairment of long-lived assets**—The Organization periodically reviews its long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets.

(h) **Property and equipment**—The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment. The fair value of donated assets is simultaneously capitalized and recognized as support. Property and equipment are stated at cost for purchased assets and at fair market value at date of donation for donated assets.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

|                                   |              |
|-----------------------------------|--------------|
| Furniture, fixture, and equipment | 3 - 10 years |
| Leasehold improvements            | 3 - 10 years |
| Building and improvements         | 5 - 39 years |

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

(i) **Leases**—The Organization leases office space and office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Organization's balance sheets. Finance leases are included in finance lease right-of-use (ROU) assets, other current liabilities, and other long-term liabilities in the Organization's statement of net position.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses a rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases the Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In allocating consideration in the contract to the separate lease components and the non-lease components, the Organization uses the standalone prices of the lease and non-lease components. Observable standalone prices are used, if available. If the standalone price for a component has a high level of variability or uncertainty, this allocation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the rates used are based on the U.S. Treasury rates over comparable terms as the lease.

(j) **Contributions**—The Organization reports contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period is reported as support without donor restrictions.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction expenses have been incurred.

A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. We received cost-reimbursable federal and state contracts and grants of \$73,230 that have not been recognized at June 30, 2023, because qualifying expenditures have not yet been incurred.

Contributed services (in-kind contributions) are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Donated services are offset by like amounts reported in the statement of functional expenses.

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

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

(l) **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.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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

(m) **Expense allocation**—The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management. Although the methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results.

(n) **Income taxes**—Under Section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the Organization is exempt from taxes on income other than unrelated business income. The Organization had no net unrelated business income during the year ended June 30, 2023. Therefore, no provision for income taxes has been made in these financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction. Tax returns for the Organization for the past three years are subject to examination by tax authorities. The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

(o) **Subsequent events**—The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 14, 2023, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(p) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures 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.

(q) **Recently issued accounting pronouncements**—The Financial Accounting Standards Board (FASB) and other entities issue new or modifications to, or interpretations of existing accounting guidance during the year ended June 30, 2023, and earlier years. The Organization has considered the new pronouncements that altered accounting principles generally accepted in the United States of America, and other than as disclosed in the notes to the financial statements below, does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

In February 2016, the FASB issued ASU 2016-02: "Leases (Topic 842)", to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. This ASU was adopted this year. See Note (10).

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**(2) Liquidity and Availability:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|   |                     |
|---|---------------------|
| Cash and cash equivalents - without restriction                                       | \$ 871,275          |
| Inter-fund receivable (with restriction)  | (423,909)           |
| Accounts receivable, net  | 1,731,363           |
| Pledges, grants, and other receivables  | 2,885,229           |
| Certificates of deposit without restriction   | <u>155,000</u>      |
| Financial assets available to meet cash needs<br>for general expenses within one year | <u>\$ 5,218,958</u> |

**(3) Fair Value of Financial Instruments:**

Generally accepted accounting principles require disclosure of an estimate of the fair value of certain financial instruments. The Organization's financial instruments consist principally of cash and cash equivalents, certificates of deposit, grants and other receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value. The fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable.

The Organization did not hold any marketable securities as of or during the year ended June 30, 2023.

Investment income consisting primarily of CD interest income totaled \$7,246 for the year ended June 30, 2023.

**(4) Accounts Receivable:**

Accounts receivable consists of the following at June 30, 2023:

|   |                     |
|---|---------------------|
| Contracts   | \$ 1,020,205        |
| Medicaid and third party insurance                    | 757,607             |
| Service (prepayment) fees                             | <u>(3,958)</u>      |
|   | 1,773,854           |
| Allowance for discounts and<br>uncollectible accounts | <u>(42,491)</u>     |
| Accounts receivable, net                              | <u>\$ 1,731,363</u> |

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

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**(5) Pledges, Grants, and Other Receivables:**

Pledges, grants, and other receivables consist of the following at June 30, 2023:

|                             |                     |
|-----------------------------|---------------------|
| Employee Retention Credit   | \$ 2,683,845        |
| Other grants                | 195,889             |
| Employee advances and other | <u>5,495</u>        |
|                             | <u>\$ 2,885,229</u> |

The Organization is eligible for the Employee Retention Credit (“ERC”) under the CARES Act, which is a refundable tax credit against certain employment taxes. It was intended to help certain qualified entities retain their workforces and avoid layoffs during the Coronavirus Pandemic. It provides a per employee credit based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The receivable for the ERC at June 30, 2023, totaled \$2,683,845 which represents refunds due on the amended 2021 Form 941 Employer Quarterly Federal Tax Return for the quarters ended March 31, June 30, and September 30, 2021, including interest of \$92,314.

The Organization contracted with a third party to assist with determining eligibility and filing the amended 941 returns. Fees related to these services totaled \$259,143 and were included with accrued expenses at June 30, 2023.

**(6) Donated Services:**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by foundation. Donated services received during the year ended June 30, 2023, totaled \$12,755 and were recorded as both revenue and a corresponding expense at fair value based on current rates for similar services.

**(7) Compensated Absences:**

Employees of the Organization, including the School employees are entitled to paid personal time off (PTO) benefits for vacation and sick days depending on length of services. The Organization’s policy is to recognize PTO when earned by employees. The current policy of the Organization effective January 1, 2019, provides that employees may rollover up to 40 hours of PTO hours not used during the calendar year. Upon termination, all unused PTO is forfeited. Prior to this, employees were eligible to carryover up to one year of PTO hours depending on length of services. All earned PTO balances as of December 31, 2015, were frozen. These earned PTO balances are payable to the employees upon termination or can be used in addition to any annual PTO received under the current policy if approved. The balances payable to eligible employees for PTO that was earned but not used at June 30, 2023, was \$169,998.



**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

(8) **Property and Equipment:**

Property and equipment are summarized by major classifications, net of accumulated depreciation and amortization as follows at June 30, 2023:

|   |                     |
|---|---------------------|
| Land  | \$ 862,550          |
| Building improvements                       | 3,938,265           |
| Leasehold improvements                      | 56,482              |
| Furniture, fixtures, and equipment          | 1,052,696           |
| Construction in progress                    | 14,224              |
| Less: accumulated depreciation              | <u>(2,740,966)</u>  |
| Property and equipment, net                 | <u>\$ 3,183,251</u> |
| <br>  |                     |
| Operating leases - right of use assets      | \$ 1,025,111        |
| Less: accumulated amortization              | <u>(274,948)</u>    |
| Operating leases - right of use assets, net | <u>\$ 750,163</u>   |

Depreciation expense of \$177,124 was functionally allocated, based on use, to program services and supporting services for the year ended June 30, 2023.

(9) **Note Payable:**

Enacted on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided economic assistance through economic disaster loans (EIDL). The \$500,000 EIDL loan is payable in monthly principal and interest payments of \$2,136 over thirty years. Interest accrues at a rate of 2.75% per annum. Each payment is applied to interest accrued before principal. The note is collateralized by the property at 1219 Dunn Avenue, Daytona Beach, Florida 32114.

Annual maturities are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>     |
|-----------------------------|-------------------|
| 2024                        | \$ 12,483         |
| 2025                        | 12,831            |
| 2026                        | 13,188            |
| 2027                        | 13,521            |
| 2028                        | 13,932            |
| Thereafter                  | <u>419,972</u>    |
|                             | <u>\$ 485,927</u> |

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

(10) **Leases:**

The Organization leases two copiers and several office locations under noncancellable operating lease agreements which expire through 2027. Operating lease expense was \$285,750 for the year ended June 30, 2023.

Other information related to leases for the year ended June 30, 2023, was as follows:

|   |             |
|---|-------------|
| Cash paid for amounts included in the measurement of lease liabilities: |             |
| Operating cash flows from operating leases                              | \$17,332    |
| Weighted-average remaining lease term—operating leases                  | 2.50 years  |
| Weighted-average discount rate—operating leases                         | 4.76%       |
| ROU assets obtained in exchange for new operating lease liabilities     | \$1,025,111 |

Future minimum lease payments under non-cancellable operating leases as of June 30, 2023, were as follows:

| <u>Year Ending June 30,</u>         | <u>Amount</u>     |
|-------------------------------------|-------------------|
| 2024                                | \$ 353,411        |
| 2025                                | 262,428           |
| 2026                                | 151,796           |
| 2027                                | 37,883            |
| 2028                                | <u>10,556</u>     |
| Total future minimum lease payments | 816,074           |
| Less: Present value discount        | <u>(48,580)</u>   |
|                                     | <u>\$ 767,494</u> |

The Organization leased office space to an unrelated entity for approximately \$4,014 per month. Lease income totaled \$48,049 for the year ended June 30, 2023 and is included with other income on the statement of activities. The lease terminated in August 2023.

(11) **Concentration of Risk:**

Revenues to support the Organization's programs are received primarily from federal, state, and local government grants and contracts. Federal and state grants account for 35% of total revenue. As a result, the Organization is subject to changes in government funding allocations. In the event these entities discontinue funding the Organization's programs or contracts are not renewed, the Organization would have a difficult time achieving current program goals.

The Organization maintains demand deposit, money market and certificates of deposit account balances which exceed the federally insured limits of up to \$250,000 under FDIC protection. The Organization believes it is not exposed to any significant or likely credit risk on cash and cash equivalents, and certificates of deposit. At June 30, 2023, account balances with three banks exceeded federally insured limits by approximately \$775,355.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

(12) **Net Assets:**

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023:

|   |            |
|---|------------|
| Program   |            |
| Aquatic therapy pool operations   | \$ 113,265 |
| Drowning prevention   | 34,126     |
| Child care and development center                                       | 127,252    |
| Family intensive training   | 30,000     |
| Teen mental health  | 193,030    |
| Farm  | 27,540     |
| Residential camping experiences<br>for cardiovascular accident patients | 3,538      |
|   | 528,751    |
| Capital Improvements - Exploration Place                                | 54,457     |
| Scholarships  | 737        |
| Restricted in perpetuity - CD   | 50,000     |
| Total net assets with donor restrictions                                | \$ 633,945 |

Net assets restricted in perpetuity total \$50,000 at June 30, 2023. Income from such assets is restricted to providing residential camping experiences for cardiovascular accident patients.

Net assets with donor restrictions were released from restriction during the year ended June 30, 2023, by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

|  |              |
|--|--------------|
| Program                                  |              |
| Aquatic therapy pool operations          | \$ 40,556    |
| Drowning prevention                      | 2,874        |
| Teen mental health                       | 106,970      |
| Jan disaster relief                      | 7,774        |
| Capital Improvements - Exploration Place | 5,303        |
| Purchase of the farm                     | 944,511      |
|  | \$ 1,107,988 |

(13) **Retirement Plan:**

The Organization provides a 401(k) plan for all eligible employees. Under the plan, the Organization contributes 50% of an employee's contribution up to a maximum of 3% of the employee's compensation. The employer matching contributions are made on a bi-weekly basis to the plan. Employer matching contribution expense totaled \$105,559 for the year ended June 30, 2023.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2023**

| Federal/State Agency/Pass-Through Entity/<br>Federal Program/State Project         | AL/CSFA<br>Number | Pass-Through Identifying<br>Number/Grant Contract<br>Identification Number | Program<br>Expenditures |
|--|-------------------|--|-------------------------|
| <b>FEDERAL AWARDS</b>  |                   |  |                         |
| <b>United States Department of Health and Human Services</b>                       |                   |  |                         |
| Passed through the Early Learning Coalition of Flagler and Volusia Counties, Inc.: |                   |  |                         |
| Child Care and Development Block Grant (CRRSA)                                     | 93.575            | EL183  | \$ 152,328              |
| Child Care and Development Block Grant (CRRSA)                                     | 93.575            | EL183  | 288,145                 |
| ELC Teaching Fund  | 93.575            | N/A  | 2,075                   |
| CRRSA Phase 1 Funds  | 93.575            | N/A  | 4,109                   |
| Total CCDF Cluster   |                   |  | <u>446,657</u>          |
| <b>Total United States Department of Health and Human Services</b>                 |                   |  | <u>446,657</u>          |
| <b>United States Department of Agriculture</b>                                     |                   |  |                         |
| Pass-through Florida Department of Health:   |                   |  |                         |
| Child and Adult Care Food Program  | 10.558            | I-5420/I-3791  | 126,244                 |
| <b>Total United States Department of Agriculture</b>                               |                   |  | <u>126,244</u>          |
| <b>United States Department of Education</b>                                       |                   |  |                         |
| Pass-through Florida Department of Health:   |                   |  |                         |
| Special Education - Grants for Infants and Families                                | 84.181            | COQZF  | 1,057,247               |
| <b>Total United States Department of Education</b>                                 |                   |  | <u>1,057,247</u>        |
| <b>Total Expenditures of Federal Awards</b>  |                   |  | <u>\$ 1,630,148</u>     |
| <b>STATE AGENCY - EXPENDITURES OF STATE ASSISTANCE</b>                             |                   |  |                         |
| <b>Florida Department of Health</b>  |                   |  |                         |
| Children's Special Health Care - Developmental Evaluation                          | 64.022            | COQZF  | \$ 2,477,162            |
| <b>Total Florida Department of Health</b>  |                   |  | <u>2,477,162</u>        |
| <b>Florida Agency for Persons with Disabilities</b>                                |                   |  |                         |
| Home and Community Services  | 67.071            | ACZ02  | 1,000,000               |
| <b>Total Florida Agency for Persons with Disabilities</b>                          |                   |  | <u>1,000,000</u>        |
| <b>Total Expenditures of State Financial Assistance</b>                            |                   |  | <u>\$ 3,477,162</u>     |
| <b>Total Expenditures of Federal Awards and State Financial Assistance</b>         |                   |  | <u>\$ 5,107,310</u>     |

See notes to schedule of expenditures of federal awards and state financial assistance.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2023**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes federal awards and state financial assistance activity of the Organization under programs of the federal government and under projects for the State of Florida for the year ended June 30, 2023. The information in this schedule 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 State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the year ended June 30, 2023.

(3) **De Minimis Indirect Cost Rate Election:**

The Organization does not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**I. Summary of Auditors' Results:**

***Financial Statements:***

Type of audit report issued on the financial statements: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?                           yes      X   no

Significant deficiency(ies) identified?             X   yes           none reported

Noncompliance material to financial statements noted?          yes      X   no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified?                           yes      X   no

Significant deficiency(ies) identified?                  yes      X   none reported

Type of auditors' report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?             X   yes           no

Identification of major Federal programs:

| <b>Assistance Listing<br/>Number</b> | <b>Program Name</b>             |
|--------------------------------------|---------------------------------|
| 84.181                               | Grants for Infants and Families |

Dollar threshold used to distinguish between type A and type B Federal programs:                      \$ 750,000  

Auditee qualified as low-risk auditee?                      X   yes           no

***State Financial Assistance:***

Internal control over major State projects:

Material weakness(es) identified?                           yes      X   no

Significant deficiency(ies) identified?                  yes      X   none reported

**EASTERSEALS NORTHEAST CENTRAL FLORIDA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**I. Summary of Auditors' Results: (Continued)**

Type of auditors' report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects? \_\_\_\_\_ yes      X   none reported

Dollar threshold used to distinguish between type A and type B State projects: \$750,000

Identification of major State projects:

| CSFA Number | Program Name  |
|-------------|---|
| 64.022      | Children's Special Health Care – Developmental Evaluation |
| 67.071      | Home and Community Services                               |

**II. Financial Statement Findings:**

**2023-001 Limited Understanding of Accounting Standards and IRS Guidance:**

*Criteria:* A comprehensive grasp of accounting standards is fundamental for effective financial reporting. An understanding of IRS guidance is important to meet compliance requirements.

*Condition and Context:* We noted management exhibited limited awareness and understanding concerning the implementation of ASC Topic 842, *Leases*. The lease schedules originally provided did not include appropriate amortization schedules, discount rates, and necessary information for financial statement disclosures. In addition, management demonstrated inadequate knowledge of the eligibility criteria for the Employee Retention Credit (ERC) and did not initially obtain sufficient documentation to demonstrate compliance with IRS regulations pertaining to this credit.

*Cause:* Insufficient familiarity and research regarding implementation of the lease standard and support for the eligibility requirements related to the ERC.

*Effect:* The Organization could improperly post transactions to the financial accounting system leading to inaccurate or misleading financial information.

*Recommendation:* We recommend the Organization establish a systematic process for keeping informed of applicable accounting standards and IRS regulations and obtain outside assistance as necessary to facilitate the understanding and proper recording of transactions.

**III. Federal Award and State Projects Findings and Questioned Costs:** None.

**IV. Prior Audit Findings:** None.

**V. Corrective Action Plan:** See Management's Response to Findings on page 28.

**VI. Management Letter:** No management letter pursuant to Sections 215.97(9)(f) and 215.97(10)(d), Florida Statutes is required since there are no items related to state financial assistance required to be reported in the management letter, not already reported in this schedule.



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

To the Board of Directors of  
Easterseals Northeast Central Florida, Inc.:

We have audited 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, the financial statements of Easterseals Northeast Central Florida, Inc. (the Organization), which comprise the statement of financial position as of June 30, 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 December 14, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.



## **Report on Compliance and Other Matters**

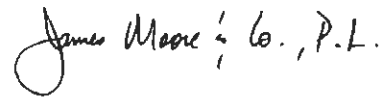
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

## **Management's Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying management's response to findings, as listed in the table of contents. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Daytona Beach, Florida  
December 14, 2023



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

To the Board of Directors of  
Easterseals Northeast Central Florida, Inc.:

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

***Opinion on Each Major Federal Program and Major State Project***

We have audited Easterseals Northeast Central 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 described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2023. The Organization's major federal programs and major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2023

***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 (*Government Auditing Standards*); 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 Auditor General. Our responsibilities under those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Easterseals Northeast Central Florida, Inc. 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 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 federal programs and state projects.

### ***Auditors' 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 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 major 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 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, 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 federal program or 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 federal program or 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 federal program or 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 Auditors' 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. 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 the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*James Moore & Co., P.L.*

Daytona Beach, Florida  
December 14, 2023



December 14, 2023

Melissa Chesley  
Chief Financial Officer  
Easterseals Northeast Central Florida, Inc

James Moore & Co., P.L.  
121 Executive Circle  
Daytona Beach, Florida 32114

Subject: Response to Audit Concerns - ASC Topic 842 Implementation and Employee Retention Credit

In response to the recent audit finding, 2023-001 outlined in your report dated December 14, 2023. We appreciate the thorough examination conducted by your team and acknowledge the importance of addressing the concerns raised during the audit process.

1. **ASC Topic 842, Leases Implementation:** In light of the concerns raised regarding the implementation of ASC Topic 842, Leases, we acknowledge the identified gaps and are committed to rectifying them promptly. To address these issues, we are taking the following corrective actions:
  - **Comprehensive Literature Review:** We have thoroughly reviewed the available literature for ASC Topic 842 to gain a deeper understanding of the requirements and best practices associated with lease accounting.
  - **Reassessment of Lease Accounting Processes:** Subsequent to the literature review, we have revisited our lease accounting processes to ensure compliance with ASC Topic 842. The task was performed again with a meticulous approach, leading to the identification and correction of any discrepancies.
  - **Enhanced Training Initiatives:** Recognizing the importance of knowledge and expertise, we have bolstered our training initiatives to empower our team with the necessary skills for accurate implementation of ASC Topic 842.

We believe that these actions have resulted in a more robust and accurate lease accounting process. The outcome of our reassessment aligns with the requirements outlined in ASC Topic 842, and we are confident in the reliability of our lease schedules moving forward. Additionally, recognizing the need for dedicated resources, we have decided to hire additional staff. This strategic move will afford us the time to prepare adequately and provide thorough training to ensure compliance with new pronouncements and industry best practices.

2. **Employee Retention Credit:** Regarding the Employee Retention Credit, we acknowledge the identified issues concerning management's knowledge gaps and documentation deficiencies. To address these concerns, we are implementing the following corrective measures:
- **Unique Circumstances:** The circumstances surrounding the Employee Retention Tax Credits are unique and may not be reflective of our standard operating procedures. It is crucial to highlight that the challenges identified during the audit are not indicative of our regular practices.
  - **One-Time Nature:** We recognize that the issues raised may be specific to certain conditions or events that are unlikely to recur. As such, we are treating these concerns as a one-time event and are implementing corrective actions to ensure that similar issues do not arise in the future.
  - **Enhanced Documentation Protocols:** To mitigate the risk of documentation deficiencies in the future, we are enhancing our documentation protocols to ensure thorough and timely collection of necessary documentation for tax credits, especially in situations with unique circumstances.

Again, in anticipation of the evolving landscape and the need for specialized expertise, we are expanding our team by hiring additional staff. This strategic decision aims to allow ample time for proper training, ensuring our team is well-prepared to navigate and comply with new pronouncements and regulatory updates.

We appreciate your guidance and the opportunity to address these concerns comprehensively. We have already implemented some of the corrective actions and plan to implement the remaining by March 31, 2024.

Thank you for your continued support, and we look forward to demonstrating the effectiveness of our corrective actions in future audits.

Sincerely,



Melissa Chesley  
Chief Financial Officer  
Easterseals Northeast Central Florida, Inc  
1219 Dunn Avenue  
Daytona Beach, FL 32114