EASTER SEALS - CENTRAL TEXAS, INC.

Consolidated Financial Statements and Supplemental Information as of and for the Years Ended August 31, 2015 and 2014 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

EASTER SEALS - CENTRAL TEXAS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Easter Seals - Central Texas, Inc.:

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Easter Seals - Central Texas, Inc. ("Easter Seals"), ESCT Austin Housing, Inc. ("Housing I"), ESCT Austin Housing II, Inc. ("Housing II"), ESCT Austin Housing III, Inc. ("Housing III"), and ESCT Austin Housing IV, Inc. ("Housing IV"), all non-profit corporations, along with Easter Seals' for-profit subsidiary, Easter Seals Lawn and Landscape LLC, (collectively, the "Organization") which comprise the consolidated statements of financial position as of August 31, 2015 and 2014, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. The accompanying supplemental schedule of expenditures of federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State of Texas Uniform Grant Management Standards, which includes the State of Texas Single Audit Circular, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
November 19, 2015

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 278,261	$ 283,881
Receivables:		
Medical services, net	358,523	250,819
Workforce contracts	267,255	235,277
Grants	426,154	409,873
Contributions	431,648	1,500
Other	341,570	83,483
Total receivables	1,825,150	980,952
Prepaid expenses and other current assets	90,012	457,703
Total current assets	2,193,423	1,722,536
RESTRICTED CASH	151,406	126,938
PROPERTY AND EQUIPMENT, net	4,169,676	4,310,840
TOTAL ASSETS	$ 6,514,505	$ 6,160,314
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 278,472	$ 156,723
Accrued expenses	410,958	282,206
Lines of credit	-	440,000
Notes payable, current portion	121,237	80,004
Total current liabilities	810,667	958,933
LONG-TERM LIABILITIES:		
Accrued pension liability	150,351	134,176
Notes payable, net of current portion	308,911	-
Total long term liabilities	459,262	134,176
Total liabilities	1,269,929	1,093,109
NET ASSETS:		
Unrestricted	477,420	667,283
Temporarily restricted	4,752,156	4,384,922
Permanently restricted	15,000	15,000
Total net assets	5,244,576	5,067,205
TOTAL LIABILITIES AND NET ASSETS	$ 6,514,505	$ 6,160,314

See notes to consolidated financial statements.

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Government grants	$ 3,552,978	-	-	3,552,978
Employment contract services	3,548,473	-	-	3,548,473
Client fees, less allowance and client fees forgiven of $1,244,528	2,055,829	-	-	2,055,829
Other grants	53,839	611,148	-	664,987
Supported employment fees	204,378	-	-	204,378
Contributions and sponsorships	177,231	-	-	177,231
Inherent contribution revenue	311,064	-	-	311,064
Tenant rental income	109,362	-	-	109,362
Bingo receipts	6,000	-	-	6,000
Other	944,968	-	-	944,968
Net assets released from restrictions	243,914	(243,914)	-	-
Total revenues	11,208,036	367,234	-	11,575,270
EXPENSES:				
Program services:				
Workforce development	3,598,097	-	-	3,598,097
Early Childhood Intervention	3,135,432	-	-	3,135,432
Community and housing services	1,565,616	-	-	1,565,616
Comprehensive outpatient rehabilitation services	1,019,381	-	-	1,019,381
ESCT Austin Housing entities services	300,987	-	-	300,987
Total program services	9,619,513	-	-	9,619,513
Supporting services:				
Development and fundraising	1,136,166	-	-	1,136,166
Management and general	642,220	-	-	642,220
Total supporting services	1,778,386	-	-	1,778,386
Total expenses	11,397,899	-	-	11,397,899
CHANGE IN NET ASSETS	(189,863)	367,234	-	177,371
NET ASSETS, beginning of year	667,283	4,384,922	15,000	5,067,205
NET ASSETS, end of year	$ 477,420	4,752,156	15,000	5,244,576

See notes to consolidated financial statements.

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Government grants	$ 3,231,769	-	-	3,231,769
Employment contract services	3,192,755	-	-	3,192,755
Client fees, less allowance and client fees forgiven of $1,400,989	1,799,273	-	-	1,799,273
Other grants	164,350	226,998		391,348
Supported employment fees	208,301	-	-	208,301
Contributions and sponsorships	129,243	-	-	129,243
Tenant rental income	92,938	-	-	92,938
Bingo receipts	83,110	-	-	83,110
Other	496,472		-	496,472
Net assets released from restrictions	578,956	(578,956)	-	-
Total revenues	9,977,167	(351,958)	-	9,625,209
EXPENSES:				
Program services:				
Workforce development	3,089,448	-	-	3,089,448
Early Childhood Intervention	2,549,619	-	-	2,549,619
Community and housing services	1,395,309	-	-	1,395,309
Comprehensive outpatient rehabilitation services	999,411	-	-	999,411
ESCT Austin Housing entities services	249,948	-	-	249,948
Total program services	8,283,735	-	-	8,283,735
Supporting services:				
Development and fundraising	740,929	-	-	740,929
Management and general	549,516	-	-	549,516
Total supporting services	1,290,445	-	-	1,290,445
Total expenses	9,574,180	-	-	9,574,180
CHANGE IN NET ASSETS	402,987	(351,958)	-	51,029
NET ASSETS, beginning of year	264,296	4,736,880	15,000	5,016,176
NET ASSETS, end of year	$ 667,283	4,384,922	15,000	5,067,205

See notes to consolidated financial statements.

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 177,371	$ 51,029
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Noncash transfer of operating assets and liabilities from Vaughn House, Inc.	(45,397)	-
Loss on disposal of property and equipment	34,265	-
Depreciation expense	154,119	169,867
Bad debt expense	(6,619)	66,604
Changes in assets and liabilities that (used) provided cash:		
Medical services receivables	(101,085)	(56,066)
Workforce contracts receivables	(31,978)	(38,897)
Grants receivables	(16,281)	(167,988)
Contributions receivables	(430,148)	(1,500)
Other receivables	(189,515)	(39,523)
Prepaid expenses and other current assets	367,691	(321,240)
Accounts payable	117,442	79,240
Accrued expenses	107,670	(140,351)
Accrued pension liability	16,175	11,233
Net cash provided by (used in) operating activities	153,710	(387,592)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	(24,468)	(39,259)
Net acquisitions of property and equipment	(45,006)	(50,974)
Net cash used in investing activities	(69,474)	(90,233)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on line of credit	460,000	850,000
Payments on line of credit	(900,000)	(585,000)
Proceeds from notes payable	446,061	77,407
Payments on notes payable	(95,917)	(2,597)
Net cash (used in) provided by financing activities	(89,856)	339,810
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,620)	(138,015)
CASH AND CASH EQUIVALENTS, beginning of year	283,881	421,896
CASH AND CASH EQUIVALENTS, end of year	$ 278,261	$ 283,881
Supplemental disclosure of cash flow information:		
Acquisitions of fixed assets financed through notes payable	$ 71,061	$ -
Interest paid on notes payable and lines of credit	$ 30,707	$ 7,238
Refinancing of line of credit to note payable	$ 375,000	$ -

See notes to consolidated financial statements.

1. ORGANIZATION

Easter Seals - Central Texas, Inc. ("Easter Seals"), ESCT Austin Housing, Inc. ("Housing I"), ESCT Austin Housing II, Inc. ("Housing II"), ESCT Austin Housing III, Inc. ("Housing III"), and ESCT Austin Housing IV, Inc. ("Housing IV"), all non-profit corporations, along with Easter Seals' for-profit subsidiary, Easter Seals Lawn and Landscape LLC, are collectively referred to as the "Organization".

Easter Seals Lawn and Landscape, LLC is a for-profit wholly-owned subsidiary of Easter Seals, established during fiscal year 2014 and is organized under the laws of the State of Texas. The services provided under this entity are part of Easter Seals' Workforce Development programs.

Easter Seals appoints all Board members of Housing I, Housing II, Housing III, and Housing IV.

The Organization's primary mission is to provide exceptional services so people with disabilities and their families can fully participate in their communities. Easter Seals provides services to persons with disabilities resulting from any cause, including disease, illness, injury or accident. The Organization operates a bingo operation in conjunction with several other local non-profit organizations in order to provide additional revenue. Because the bingo operation is not central to the Organization's program, all bingo costs have been netted against bingo revenue. Through Housing I through IV, Easter Seals operates thirty four apartment units under the U.S. Department of Housing and Urban Development ("HUD") Section 811 Supportive Housing Project Direct Loan Program.

The financial statements of all the entities listed above are consolidated into the financial statements of Easter Seals because Easter Seals has control over and an economic interest in the affiliates. All inter-organizational transactions and balances have been eliminated between the affiliated entities.

The Organization's programs include:

Early Childhood Intervention ("ECI") - is available for children under three with developmental delays, medical conditions, or a-typical development.

Workforce Development - is a program that provides training, transition services, and support services for job development and placement support for adults with disabilities with the goal of increasing self-sufficiency and quality of life.

Comprehensive Outpatient Rehabilitation ("CORP") - provides adults and children with physical, occupational, and bilingual speech therapy; and Community and Housing Services to ensure that people with disabilities have the opportunity to participate fully and equally in every aspect of our society. The Organization is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) under its Community Employment Services Best Practice Standards.

Community and Housing Services - Easter Seals Community and Housing Services provides support for people with disabilities and their families including home purchases, residential accessibility, rental assistance and advocacy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board Accounting Standards Codification ("ASC").

Classification of Net Assets - The consolidated financial statements report information regarding the Organization's consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets **-** These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets **-** These types of net assets are subject to donor imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

Permanently restricted net assets **-** These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements - The Organization measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach **-** uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach **-** uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash - Easter Seals holds approximately $15,000 of restricted cash from a permanently restricted donor endowment fund. Interest earned from the account is unrestricted. In addition, in accordance with the requirements of the HUD forgivable capital advances, Housing I through IV are required to maintain separate cash accounts as follows:

Tenant Security Deposits - These accounts are used to hold tenant security deposits which had balances of $1,660, $3,131, $1,500 and $2,559 for Housing I, Housing II, Housing III and Housing IV, respectively, as of August 31, 2015 and $1,510, $2,823, $1,682 and $2,270 for Housing I, Housing II, Housing III and Housing IV, respectively, as of August 31, 2014.

Replacement Reserve Accounts - These accounts are used to hold monthly deposits in the amount of $600, $800, $500 and $357 for Housing I, Housing II, Housing III and Housing IV, respectively, as required by HUD, for future maintenance and repairs on the properties. Withdrawals from this account must be approved by HUD. These accounts had balances of $17,566, $45,370, $24,707 and $9,982 for Housing I, Housing II, Housing III and Housing IV, respectively, as of August 31, 2015 and $10,362, $35,766, $18,705 and $5,699 for Housing I, Housing II, Housing III and Housing IV, respectively, as of August 31, 2014.

Residual Receipts Accounts - Housing I through IV are required to deposit any excess revenue from the apartment housing operations into this account within 90 days after fiscal year end, if so determined by HUD. Withdrawals from this account must be approved by HUD. As of August 31, 2015 and 2014, HUD had only required Housing II and III to establish such accounts. These accounts had balances of $13,712, and $12,058 for Housing II and Housing III, respectively as of August 31, 2015 and $14,462, and $9,576 for Housing II and Housing III, respectively, as of August 31, 2014.

Minimum Capital Investment - Housing I through IV have escrowed an amount equal to 0.5% of the capital advance for each project as required by HUD to provide a financial cushion in the event that the project required additional funds. If the funds are not needed within three years, the funds will be made available to the operating account. These accounts had balances of $4,122 and $0 for Housing III and Housing IV, respectively, as of August 31, 2015 and $3,700 and $5,352 for Housing III and Housing IV, respectively, as of August 31, 2014.

Medical Services, Workforce Contracts and Other Receivables - Theses receivables are recorded at the amount the Organization expects to collect on outstanding balances. The Organization did not set up an allowance for uncollectible workforce contracts and other receivables at August 31, 2015 and 2014, as management estimates that all outstanding balances are collectible. The Organization has established an allowance for uncollectible medical services on accounts that are no longer estimated to be collectible. The Organization regularly adjusts this allowance for subsequent collections or upon final determination that the receivable balance is no longer collectible. At August 31, 2015 and 2014, the Organization recorded an allowance for uncollectible medical services receivables of $170,899 and $177,518, respectively.

Grants and Contributions Receivable - Grants and contributions receivable are recorded at the amount the Organization expects to receive from grantors. No allowance for uncollectible grants and contributions receivable has been recorded as, historically, the Organization has not experienced material uncollectible amounts.

Property and Equipment - Property and equipment consists of furniture, equipment, vehicles, condominium apartments and building improvements. Property and equipment additions are recorded at cost if purchased or estimated fair value if donated, less accumulated depreciation. The Organization capitalizes all additions over $1,000 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are two to five years for furniture and equipment; three to five years for vehicles; five to thirty years for buildings and improvements and forty years for condominiums.

Impairment of Long-Lived Assets - Long-lived assets subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of August 31, 2015 or 2014.

Forgivable Capital Advances - The Organization has received financial assistance for property acquisition costs from HUD and the Austin Housing Finance Corporation ("AHFC"). Under the terms of the agreements, funds were provided to the Organization in the form of forgivable capital advances. The Organization recognizes capital advances as revenue in the year of the advance and classifies them as temporarily restricted net assets as the principal and any interest are not due and will be forgiven upon maturity, as long as the Organization continues to meet the requirements as prescribed by the agreements. If this presumption is not met in future years, the amounts would be reclassified to a liability.

The Organization has adopted a policy to recognize the capital advances as temporarily restricted net assets upon receipt due to the implied use restriction and then releases a portion to unrestricted net assets as the related assets acquired are depreciated. The amount released annually approximates the annual depreciation on the related assets acquired and is calculated on a straight-line basis over the term of the related advance.

Government Grant Revenue - The Organization receives funding from governmental financial assistance programs that supplement its traditional funding sources. The awards provide for reimbursement of qualifying costs incurred, as defined in the underlying award agreements. The Organization recognizes revenue from these awards as services are rendered and expenses are incurred.

Contract Services and Client Fees - Contract services and client fees revenue is earned and recognized when the services Easter Seals has been contracted to perform, have been provided and the costs associated with providing the contracted services have been incurred.

Contribution Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Services and Materials - Donated services and materials are reflected in the consolidated statement of activities as in-kind revenue at their fair value on the date of receipt. Donated services are recognized by the Organization if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization reports contributions of land, buildings, and equipment as unrestricted, unless explicit donor stipulations specify how the donated assets must be used. Gifts of assets with explicit restrictions that specify how the assets are to be used are accounted for as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising - The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed as incurred and amounted to $26,305 and $11,310 for the years ended August 31, 2015 and 2014, respectively.

Functional Allocation of Expenses - The costs of providing the Organization's various programs and supporting services have been reported on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services based on estimates provided by management.

Income Taxes - Easter Seals, Housing I, Housing II, Housing III and Housing IV are nonprofit entities, except for income tax related to certain unrelated business activities. These entities did not incur any significant tax liabilities due to unrelated business activities during the years ended August 31, 2015 or 2014. These entities file a Form 990 tax return in the U.S. federal jurisdiction, and are subject to routine examinations of its returns; however, there are no examinations currently in progress. The August 31, 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service. Easter Seals Lawn and Landscape, LLC files income tax returns in the state of Texas. The August 31, 2014 and subsequent tax years remain subject to examination by the state of Texas.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Update ("ASU") No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2018, and is to be applied retrospectively and early application permitted. The Organization is currently evaluating the impact the new standard will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

Reclassifications - Certain amounts from prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and receivables. The Organization places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. The Organization does not maintain collateral for its receivables and does not believe significant risk exists at August 31, 2015 and 2014.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	2015	2014
Land	$ 3,000	$ 3,000
Buildings and improvements	4,957,808	4,978,948
Furniture and equipment	713,511	756,023
Vehicles	419,094	464,882
Gross property and equipment	6,093,413	6,202,583
Less accumulated depreciation	(1,923,737)	(1,892,013)
Total property and equipment, net	$ 4,169,676	$ 4,310,840

5. BENEFIT PLANS

The Organization participates in a qualified defined benefit pension plan (the "Pension Plan") which covers all full time employees of the Organization. The benefits are based on years of service and the employee's compensation during the five years before retirement. The Organization makes annual contributions to the Pension Plan equal to the maximum amount allowable by the Internal Revenue Service. In 1994, the Organization approved a complete freeze of the plan, with no new future hires eligible for benefits of the plan and no additional accrual of benefits for participating employees.

A reconciliation of the changes in the Pension Plan's projected benefit obligation and plan assets follows:

	2015	2014
Change in benefit obligation:		
Benefit obligation as of September 1	$ 341,787	$ 331,452
Interest cost	14,611	15,420
Actuarial loss (gain)	(6,713)	11,550
Benefits paid	(14,562)	(16,635)
Projected benefit obligation as of August 31	$ 335,123	$ 341,787
Change in plan assets:		
Fair value of plan assets as of September 1	$ 207,611	$ 208,509
Return on plan assets	(53,599)	(22,293)
Employer contributions	45,322	38,030
Benefits paid	(14,562)	(16,635)
Fair value of plan assets as of August 31	$ 184,772	$ 207,611
Funded status as of August 31	$ (150,351)	$ (134,176)
Amounts recognized in the consolidated statements of financial position:		
Noncurrent liabilities	$ (150,351)	$ (134,176)
Weighted average assumptions used in accounting for the Pension Plan at August 31 were as follows:		
Discount rate	4.50%	4.45%
Expected return on plan assets	4.50%	4.50%
Rate of compensation increase	N/A	N/A
Components of net periodic pension cost for the years ended August 31 were as follows:		
Interest cost	$ 14,611	$ 15,420
Expected return on plan assets	(9,939)	(9,841)
Net loss amortization	18,919	15,317
Net periodic pension cost	$ 23,591	$ 20,896

The Organization's defined benefit pension plan asset allocation as of the measurement date (August 31) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	2015	2014	Target
Equity securities	24.77%	24.97%	35.0%
Debt securities	65.24%	65.02%	65.0%
Other	9.99%	10.01%	-

The Organization's defined benefit plan invests in a diversified mix of traditional asset classes. Investments in equity securities, debt securities and cash are made to maximize long-term returns while recognizing the need for adequate liquidity to meet on-going benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated through understanding the pension plan's liability characteristics. Asset allocations and investment performance is thoroughly reviewed periodically. All investments were considered Level 1 under the fair value hierarchy.

The expected long-term rate of return is estimated based on many factors including the expected forecast for inflation, risk premiums for each asset class, expected asset allocation, current and future financial market conditions, and diversification and rebalancing strategies.

The Organization does not have any regulatory contribution requirements for 2015; however, based on actuarial calculations, the Organization currently intends to make voluntary contributions to the defined benefit pension plan of $328,342 in 2015.

Amounts expected to be paid over the next ten years to beneficiaries of the plan are as follows:

2016	$	19,450
2017		20,049
2018		20,241
2019		20,842
2020 through 2024		114,202
Total	$	194,784

No portion of the projected benefit obligation is classified as current because the plan assets exceed the value of benefit obligations expected to be paid within the twelve months ending August 31. 2015. No plan assets are expected to be returned to the employer during the twelve months ending August 31, 2015.

The Organization also sponsors a Section 403(b) salary reduction plan that covers all eligible full-time employees. Employees are eligible for participation upon employment and may contribute the maximum amount to the plan based on predetermined limits set forth by the IRS. The Organization does not contribute to the plan.

6. LINE OF CREDIT

On January 29, 2013, Easter Seals obtained a line of credit renewal agreement with a financial institution with a $400,000 limit that matured in April 31, 2015 and bore interest at the greater of a variable interest rate, based upon the financial institution's prime rate, plus 3.50% or the floor rate of 5.00% (6.75 % at August 31, 2015 and 2014). The line of credit was collateralized by the Organization's inventory, equipment, accounts receivable, general intangibles, and fixtures. The outstanding balance on this line of credit was $400,000 as of August 31, 2014. In May 2015, the $375,000 unpaid balance under the line of credit was refinanced into a note payable and remained outstanding at August 31, 2015. See Note 7 for the note terms.

On January 21, 2015, Easter Seals obtained an extension on an existing uncollateralized revolving line of credit with a financial institution with a $200,000 limit that matures on January 21, 2016 and bears interest at a floating rate, based on the financial institution's prime rate (5.00% at August 31, 2015 and 2014). The outstanding balance on this line of credit was $0 and $40,000, respectively as of August 31, 2015 and 2014.

7. NOTES PAYABLE

Notes payable consisted of the following at August 31:

	2015	2014
Non-interest bearing, installment promissory note in the principal amount of $12,985, collateralized by equipment, due in monthly installments through August 24, 2015.	$ -	$ 2,597
Non-interest bearing, unsecured note payable to a financial institution, in the principal amount of $74,434, due in monthly installments through February 15, 2015.	-	74,434
Non-interest bearing, unsecured note payable to a financial institution, in the principal amount of $2,973, due in monthly installments through February 15, 2015.	-	2,973
Interest bearing (6.75% at August 31, 2015), secured note payable to a financial institution, in the principal amount of $375,000, due in monthly installments through May 18, 2020.	359,006	-
Interest bearing (2% at August 31, 2015), secured notes payable to private investors, due in quarterly installments through December 31, 2018. Management of the Organization intends to pay all outstanding balances in fiscal year 2016.	50,000	-
Non-interest bearing, installment promissory note in the principal amount of $21,061, collateralized by equipment, due in monthly installments through July 6, 2020.	21,142	-
	430,148	80,004
Current portion	(121,237)	(80,004)
Long-term portion	$ 309,263	$ -

Future minimum lease payments under notes payable at August 31, 2015 are as follows:

2016	$ 121,237
2017	75,387
2018	80,179
2019	85,468
2020	67,877
	$ 430,148

8. FORGIVABLE CAPITAL ADVANCES

The Organization has received forgivable capital advances to purchase thirty four housing units. Under the terms of the loan agreements, principal and interest payments are not required as long as the housing remains available for very low income persons with disabilities. Upon maturity, if the housing has remained available for persons meeting these requirements, the entire principal and interest will be forgiven. The Organization has received the following capital advances as of August 31:

	2015	2014
Housing I		
U.S. Department of Housing and Urban Development, interest rate of 5.375%, due unless forgiven on October 11, 2045, secured by six rental housing units.	$ 413,000	$ 413,000
U.S. Department of Housing and Urban Development, passed through the Austin Housing Finance Corporation, interest rate of 10%, due unless forgiven on October 28, 2015, secured by six rental housing units, subordinated to the $413,000 loan from HUD.	181,717	181,717
Housing II		
U.S. Department of Housing and Urban Development, interest rate of 5.25%, due unless forgiven on April 1, 2048, secured by ten rental housing units.	713,600	713,600
City of Austin passed through Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on May 1, 2049, secured by ten rental housing units, subordinated to the $713,600 loan.	500,000	500,000
Housing III		
U.S. Department of Housing and Urban Development, interest rate of 4.125%, due unless forgiven on December 1, 2050, secured by eight rental housing units.	739,900	739,900

City of Austin passed through Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on November 30, 2050, secured by eight rental housing units, subordinated to the $739,900 loan.	494,740	494,740
Housing IV		
U.S. Department of Housing and Urban Development, interest rate of 4.125%, due unless forgiven on February 15, 2053, secured by tent rental housing units.	1,070,400	1,070,400
U.S. Department of Housing and Urban Development, passed through the Austin Housing Finance Corporation, interest rate of 0%, due unless forgiven on February 28, 2053, secured by ten rental housing units, subordinated to the $1,070,400 loan.	624,898	624,898
	$ 4,738,255	$ 4,738,255

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at August 31:

	2015	2014
ESCT Austin Housing, Inc.	$ 425,762	$ 440,630
ESCT Austin Housing II, Inc.	1,021,674	1,052,014
ESCT Austin Housing III, Inc.	1,118,497	1,146,216
ESCT Austin Housing IV, Inc.	1,584,075	1,623,453
Youth Learning	50,000	-
Rehabilitation	200,000	-
Wheelchair Fitness	317,148	-
Ability Assistance Program	10,000	-
Hearing Aids for Seniors	25,000	-
Employment Services	-	68,750
Integrated Housing	-	53,859
Season for Caring	-	-
Total temporarily restricted net assets	$ 4,752,156	$ 4,384,922

10. BUSINESS ACQUISITION

On March 1, 2015, Easter Seals purchased all assets and liabilities from Vaughn House, Inc., a third party not-for profit entity. The following table summarizes the amounts of the assets and acquired and liabilities assumed that were recognized at the acquisition date.

Financial assets	$ 336,453	$ 19,991,055
Financial liabilities	(25,389)	(21,226,903)
Inherent contribution recognized	$ 311,064	$ 29,152

The financial assets acquired included $265,667 in cash. The inherent contribution recognized increased unrestricted net assets and was recorded in the statement of activities during the year ended August 31, 2015.

11. LEASE AGREEMENTS

The Organization leases office space, a construction warehouse, telephone equipment, and a copier under operating leases. Lease expense under these leases totaled $377,342 and $346,915, respectively, for the years ended August 31, 2015 and 2014.

Future minimum lease payments under these leases at August 31, 2015 are as follows:

2016	$ 241,405
2017	241,400
2018	204,053
2019	211,945
2020	223,921
Thereafter	505,393
	$ 1,628,127

The Organization entered into an operational sub-lease agreement with a non-affiliated not-for profit organization for office space at the Organization's headquarters. This sub-lease agreement will expire on December 31, 2015. Lease revenue under this sub-lease agreement was $6,387 and $8,116 for the years ended August 31, 2015 and 2014, respectively.

12. CONTINGENCIES

The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by grantor agencies. These contracts have certain compliance requirements and, should audits by government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

13. RELATED PARTY TRANSACTIONS AND AFFILIATIONS

Board of Director contributions for the years ended August 31, 2015 and 2014, were $44,900 and $19,356, respectively.

The Organization operates within a covenant agreement with Easter Seals National Headquarters ("ESNH"), its national affiliate. The Organization pays membership fees to ESNH which represents the Organization's share of the affiliate's expenses. Membership dues expense included in the consolidated statement of activities was $45,000 for each of the years ended August 31, 2015 and 2014.

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 19, 2015 (the date the consolidated financial statements were available to be issued).

Effective September 1, 2015, the property management services of the properties owned by the four housing entities were outsourced to Prak Property Management Company, a third party service provider, as approved by HUD.

During fiscal year 2016, Easter Seals completed the acquisition over Project Walk, a third party not-for profit entity. Easter Seals anticipates recording approximately $25,000 in inherent contribution revenue from such acquisition.

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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 Directors of
Easter Seals - Central Texas, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Easter Seals - Central Texas, Inc. (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of August 31, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
November 19, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Easter Seals - Central Texas, Inc.:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Easter Seals - Central Texas, Inc. (a nonprofit organization) (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended August 31, 2015. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maxwell Locke + Ritter LLP

Austin, Texas
November 19, 2015

EASTER SEALS - CENTRAL TEXAS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
FEDERAL AWARDS:			
U.S. DEPARTMENT OF EDUCATION			
Passed through Texas Department of Assistive and Rehabilitative Services - Special Education - Grants for Infants and Families	84.181	5382001533-01	$ 926,814
Passed through Texas Department of Assistive and Rehabilitative Services - Special Education - Grants to States (IDEA Cluster)	84.027	5382001533-01	88,331
Passed through Texas Department of Assistive and Rehabilitative Services - Assistive Technology	84.224	UTA13-000250	8,981
	84.224	UTA14-001008	49,286
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Supportive Housing for Persons with Disabilities			
Capital Assistance	14.181	N/A	2,936,900
Rental Assistance	14.181	N/A	180,816
Passed through Austin Housing Finance Corporation - Community Development Block Grant / Entitlement Grants	14.218	800451867	806,615
Passed through Texas Department of Housing and Community Affairs - Home Investment Partnerships Program -Homebuyer Assistance with Rehabilitation Program	14.239	1001840	6,659
Passed through Texas Department of Housing and Community Affairs - Home Investment Partnerships Program -Homebuyer Assistance with Rehabilitation Program	14.239	1001363	18,200
Passed through Texas Department of Housing and Community Affairs - Home Investment Partnerships Program -Tenant Based Rental Assistance	14.239	1001364	25,215
Passed through Texas Department of Housing and Community Affairs - Home Investment Partnerships Program -Tenant Based Rental Assistance	14.239	1001841	278,179
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Texas Department of Assistive and Rehabilitative Services - Temporary Assistance for Needy Families (TANF Cluster)	93.558	5382001533-01	334,927
Passed through Texas Department of Assistive and Rehabilitative Services - ACL Assistive Technology	93.464	UTA15-000610	38,007
U.S.DEPARTMENT OF TRANSPORTATION FEDERAL TRANSIT ADMINISTRATION			
Passed through Austin Capital Metro	20.516	TX-37-x065-00	242,563
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 5,941,493
STATE AWARDS:			
TEXAS DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES			
Early Childhood Intervention Program		5382001533 -01	146,913
Early Childhood Intervention Program - Respite		5382001533 -02	6,038
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			
Housing Trust Fund - Amy Young Barrier Removal Program		1001988	83,016
TOTAL EXPENDITURES OF STATE AWARDS			235,967
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ 6,177,460

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

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Uniform Grant Management Standards ("UGMS"). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

2. LOANS INCLUDED ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Included in the schedule of expenditures of federal and state awards are the outstanding balances at August 31, 2015 of the loans from HUD for the acquisition of property made available to very low income persons with disabilities through rental of housing units. These loans are presented in the schedule of expenditures because these loans were funded with federal funds. Section 205 (b) of OMB Circular A-133 and UGMS require that the value of new loans made or received during the year and the outstanding balance of loans from previous years for which the federal or state government imposes continuing compliance requirements be included on the schedule of expenditures of federal and state awards.

3. STATE OF TEXAS SINGLE AUDIT

The Organization did not meet the required threshold for a single audit of the state expenditures prescribed by UGMS, which includes the State of Texas Single Audit Circular. The state expenditures have been included in the schedule of expenditures of federal and state awards for information purposes.

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes __x__no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? reported _____yes __x__none

Noncompliance material to financial statements noted? _____yes __x__no

FEDERAL AWARDS

Identification of the major programs and type of auditors' report issued on compliance for the major programs:

CFDA Number	Name of Federal or State Program	Opinion Type
Federal - 93.558	U.S. Department of Health and Human Services - Passed through Texas Department of Assistive and Rehabilitative Services - Temporary Assistance for Needy Families (TANF Cluster)	Unmodified
Federal - 14.181	U.S. Department of Housing and Urban Development - Supportive Housing for Persons with Disabilities	Unmodified

Internal control over major programs:

- Material weakness(es) identified? _____yes __x__no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? reported _____yes __x__none

Any audit findings disclosed that are required to be Reported in accordance with section 510(a) of Circular A-133? _____yes __x__no

Dollar threshold used to distinguish between Federal type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __x__yes _____no

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2015 and 2014.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133 for the years ended August 31, 2015 and 2014.

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AUGUST 31, 2015

	Easter Seals - Central Texas, Inc.	ESCT Austin Housing	ESCT Austin Housing II	ESCT Austin Housing III	ESCT Austin Housing IV	Eliminations	Total
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 265,006	5,792	1,977	3,141	2,345	-	278,261
Receivables:							
Medical services, net	358,523	-	-	-	-	-	358,523
Workforce contracts	267,255	-	-	-	-	-	267,255
Grants	426,154	-	-	-	-	-	426,154
Contributions	431,648	-	-	-	-	-	431,648
Other	341,570	-	-	-	-	-	341,570
Total receivables	1,825,150	-	-	-	-	-	1,825,150
Prepaid expenses and other current assets	90,012	-	-	-	-	-	90,012
Total current assets	2,180,168	5,792	1,977	3,141	2,345	-	2,193,423
RESTRICTED CASH	15,039	19,226	62,213	42,387	12,541		151,406
INTERCOMPANY NOTES RECEIVABLE	9,576	-	-	-	-	(9,576)	-
PROPERTY AND EQUIPMENT, NET	80,241	423,824	986,050	1,097,519	1,582,042	-	4,169,676
TOTAL ASSETS	$ 2,285,024	448,842	1,050,240	1,143,047	1,596,928	(9,576)	6,514,505
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	$ 265,255	1,235	5,195	1,452	5,335	-	278,472
Accrued expenses	402,705	1,655	2,832	1,382	2,384	-	410,958
Line of credit	-	-	-	-	-	-	-
Notes payable, current portion	121,237	-	-	-	-	-	121,237
Total current liabilities	789,197	2,890	8,027	2,834	7,719	-	810,667
ACCRUED PENSION LIABILITY	150,351	-	-	-	-	-	150,351
NOTES PAYABLE, NET OF CURRENT PORTION	308,911	-	-	-	-	-	308,911
INTERCOMPANY NOTES PAYABLE, long-term portion, net	-	4,576	-	5,000	-	(9,576)	-
Total liabilities	1,248,459	7,466	8,027	7,834	7,719	(9,576)	1,269,929
NET ASSETS:							
Unrestricted	419,417	15,614	20,539	16,716	5,134	-	477,420
Temporarily restricted	602,148	425,762	1,021,674	1,118,497	1,584,075	-	4,752,156
Permanently restricted	15,000	-	-	-	-	-	15,000
Total net assets	1,036,565	441,376	1,042,213	1,135,213	1,589,209	-	5,244,576
TOTAL LIABILITIES AND NET ASSETS	$ 2,285,024	448,842	1,050,240	1,143,047	1,596,928	(9,576)	6,514,505

EASTER SEALS - CENTRAL TEXAS, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

	Easter Seals - Central Texas, Inc.	ESCT Austin Housing	ESCT Austin Housing II	ESCT Austin Housing III	ESCT Austin Housing IV	Eliminations	Total
REVENUES:							
Government grants	$ 3,372,162	36,603	49,694	44,892	49,627	-	3,552,978
Employment contract services	3,548,473	-	-	-	-	-	3,548,473
Client fees, less allowance and client fees forgiven of $1,244,528	2,055,829	-	-	-	-	-	2,055,829
Other grants	664,987	-	-	-	-	-	664,987
Supported employment fees	204,378	-	-	-	-	-	204,378
Contributions and sponsorships	177,231	-	-	-	-	-	177,231
Inherent contribution revenue	311,064	-	-	-	-	-	311,064
Management fees	96,664	-	-	-	-	(96,664)	-
Bingo receipts	6,000	-	-	-	-	-	6,000
Tenant rental income	6,387	22,439	32,954	22,091	25,491	-	109,362
Other	936,105	4	428	458	7,973	-	944,968
Total revenues	11,379,280	59,046	83,076	67,441	83,091	(96,664)	11,575,270
EXPENSES:							
Program services:							
Workforce development	3,598,097	-	-	-	-	-	3,598,097
Early Childhood Intervention	3,135,432	-	-	-	-	-	3,135,432
Community and housing services	1,565,616	-	-	-	-	-	1,565,616
Comprehensive outpatient rehabilitation services	1,019,381	-	-	-	-	-	1,019,381
ESCT Austin Housing entities services	-	63,624	106,727	90,002	119,564	(78,930)	300,987
Total program services	9,318,526	63,624	106,727	90,002	119,564	(78,930)	9,619,513
Supporting services:							
Development and fundraising	1,136,166	-	-	-	-	-	1,136,166
Management and general	642,220	4,200	4,800	3,600	5,134	(17,734)	642,220
Total supporting services	1,778,386	4,200	4,800	3,600	5,134	(17,734)	1,778,386
Total expenses	11,096,912	67,824	111,527	93,602	124,698	(96,664)	11,397,899
CHANGE IN NET ASSETS	282,368	(8,778)	(28,451)	(26,161)	(41,607)	-	177,371
NET ASSETS, beginning of year	754,197	450,154	1,070,664	1,161,374	1,630,816	-	5,067,205
NET ASSETS, end of year	$ 1,036,565	441,376	1,042,213	1,135,213	1,589,209	-	5,244,576