Easter Seals South Florida, Inc.

Financial Statements and Reports Required by *Government Auditing Standards*, the Uniform Guidance, and the Florida Single Audit Act

For the Years Ended August 31, 2021 and 2020

This report was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Contents

Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

100 SE 2nd St., Suite 1700
Miami, FL 33131

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Easter Seals South Florida, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and the schedule of expenditures of state financial assistance as required by *Chapter 10.650, Rules of the Florida Auditor General,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2022 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.

BDO USA, LLP
Certified Public Accountants

Miami, Florida
May 23, 2022

Financial Statements

Easter Seals South Florida, Inc.

Statements of Financial Position

August 31,	**2021**	2020
Assets		
Cash and cash equivalents	**$ 13,693,914**	$ 1,813,120
Grants and accounts receivable, net	**1,779,710**	1,393,147
Contributions receivable, net	**118,148**	247,381
Prepaid expenses	**56,293**	42,089
Investments	**11,885,481**	4,658,199
Investment in partnership	**-**	2,709,657
Property and equipment, net	**3,374,023**	3,264,312
Other assets	**1,892**	1,892
Total assets	**$ 30,909,461**	$ 14,129,797
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 1,033,925**	$ 1,035,142
Taxes payable	**1,812,483**	193,283
Refundable advances	**384,230**	127,889
Notes payable	**150,000**	2,057,000
Total liabilities	**3,380,638**	3,413,314
Commitments and Contingencies (Note 11)		
Net assets		
Without donor restrictions	**27,263,714**	10,383,141
With donor restrictions	**265,109**	333,342
Total net assets	**27,528,823**	10,716,483
Total liabilities and net assets	**$ 30,909,461**	$ 14,129,797

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

Easter Seals South Florida, Inc.

Statements of Activities

For the years ended August 31,	2021 Without Donor Restrictions	2021 With Donor Restrictions	2021 Total	2020 Without Donor Restrictions	2020 With Donor Restrictions	2020 Total
Public Support, Revenue, and Gains						
Contributions	$ 7,271,947	$ 233,400	$ 7,505,347	$ 1,696,124	$ 256,531	$ 1,952,655
Special events, net of direct costs of $13,109 for 2021 and $43,562 for 2020	57,387	-	57,387	35,022	-	35,022
Government grants and contracts	10,327,891	-	10,327,891	9,270,049	-	9,270,049
Program service fee	697,945	-	697,945	1,573,937	-	1,573,937
Investment income, net	121,989	-	121,989	102,421	-	102,421
Net realized and unrealized gains on investments	1,219,754	-	1,219,754	250,983	-	250,983
Gain on sale of investment in partnership	9,832,316	-	9,832,316	-	-	-
Distributions received from investment in partnership	369,568	-	369,568	427,226	-	427,226
In-kind contributions	292,252	-	292,252	301,253	-	301,253
Other income	38,400	-	38,400	10,444	-	10,444
Net assets released from restrictions	301,633	(301,633)	-	236,795	(236,795)	-
Total public support, revenue, and gains	30,531,082	(68,233)	30,462,849	13,904,254	19,736	13,923,990
Expenses						
Functional expenses:						
Program services	12,642,632	-	12,642,632	13,263,423	-	13,263,423
Supporting activities:						-
Management and general	866,066	-	866,066	572,013	-	572,013
Fundraising activities	330,225	-	330,225	345,584	-	345,584
Total functional expenses	13,838,923	-	13,838,923	14,181,020	-	14,181,020
Membership fees to affiliated organization	76,786	-	76,786	70,629	-	70,629
Total expenses	13,915,709	-	13,915,709	14,251,649	-	14,251,649
Changes in net assets, before other items	16,615,373	(68,233)	16,547,140	(347,395)	19,736	(327,659)
Forgiveness of Paycheck Protection Program Loan	1,907,000	-	1,907,000	-	-	-
Federal tax expense	(1,641,800)	-	(1,641,800)	(93,084)	-	(93,084)
Changes in net assets	16,880,573	(68,233)	16,812,340	(440,479)	19,736	(420,743)
Net assets, beginning of year	10,383,141	333,342	10,716,483	10,823,620	313,606	11,137,226
Net assets, end of year	$ 27,263,714	$ 265,109	$ 27,528,823	$ 10,383,141	$ 333,342	$ 10,716,483

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

Easter Seals South Florida, Inc.

Statements of Functional Expenses

For the year ended August 31, 2021	Program Services					Supporting Activities			
	Early Childhood	Educational Services	Adult and Senior Care Services	Head Start	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits:									
Salaries and wages	$ 815,508	$ 2,019,880	$ 1,721,912	$ 3,052,737	**$ 7,610,037**	$ 400,587	$ 195,057	**$ 595,644**	**$ 8,205,681**
Payroll taxes and employee benefits	146,325	304,127	352,711	574,043	**1,377,206**	32,978	50,352	**83,330**	**1,460,536**
Total salaries and benefits	961,833	2,324,007	2,074,623	3,626,780	**8,987,243**	433,565	245,409	**678,974**	**9,666,217**
Other expenses:									
Contracted services	194,447	83,122	48,837	172,239	**498,645**	20,426	-	**20,426**	**519,071**
Professional fees	24,648	42,118	73,981	94,901	**235,648**	133,415	7,515	**140,930**	**376,578**
Program supplies and expenses	82,449	226,320	555,894	512,591	**1,377,254**	1,881	3,513	**5,394**	**1,382,648**
Occupancy	108,546	232,789	279,067	150,882	**771,284**	23,592	7,394	**30,986**	**802,270**
Travel and transportation	6,818	18,849	20,306	-	**45,973**	7,602	7	**7,609**	**53,582**
Insurance	46,716	39,463	64,533	88,230	**238,942**	29,265	6,287	**35,552**	**274,494**
Staff training and development	30,733	822	10,190	15,961	**57,706**	89,468	466	**89,934**	**147,640**
Office supplies	19,370	10,223	34,072	49,903	**113,568**	62,908	23,599	**86,507**	**200,075**
Depreciation and amortization	96,164	78,824	112,217	-	**287,205**	21,447	4,505	**25,952**	**313,157**
Interest, penalties, assessments, and other	1,914	1,870	3,809	-	**7,593**	35,647	9,525	**45,172**	**52,765**
Marketing and promotion	275	17,450	569	3,277	**21,571**	6,850	22,005	**28,855**	**50,426**
Total other expenses	612,080	751,850	1,203,475	1,087,984	**3,655,389**	432,501	84,816	**517,317**	**4,172,706**
Total expenses	$ 1,573,913	$ 3,075,857	$ 3,278,098	$ 4,714,764	**$ 12,642,632**	$ 866,066	$ 330,225	**$ 1,196,291**	**$ 13,838,923**

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

Easter Seals South Florida, Inc.

Statements of Functional Expenses

For the year ended August 31, 2020

	Program Services						Supporting Activities			
	Early Childhood	Educational Services	Vocational Services	Adult and Senior Care Services	Head Start	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits:										
Salaries and wages	$ 838,353	$ 2,064,045	$ -	$ 2,416,970	$ 2,766,725	**$ 8,086,093**	$ 236,878	$ 243,614	**$ 480,492**	**$ 8,566,585**
Payroll taxes and employee benefits	148,780	309,047	-	436,463	480,034	**1,374,324**	83,106	38,761	**121,867**	**1,496,191**
Total salaries and benefits	987,133	2,373,092	-	2,853,433	3,246,759	**9,460,417**	319,984	282,375	**602,359**	**10,062,776**
Other expenses:										
Contracted services	134,787	92,869	17,425	289,145	188,193	**722,419**	41,016	-	**41,016**	**763,435**
Professional fees	33,760	58,422	-	71,914	91,000	**255,096**	62,385	12,088	**74,473**	**329,569**
Program supplies and expenses	40,810	240,424	848	294,851	444,674	**1,021,607**	17,098	-	**17,098**	**1,038,705**
Occupancy	92,530	272,514	537	587,549	101,063	**1,054,193**	11,981	7,057	**19,038**	**1,073,231**
Travel and transportation	4,789	10,017	-	31,690	3,897	**50,393**	4,712	65	**4,777**	**55,170**
Insurance	51,979	53,944	-	63,136	99,762	**268,821**	9,212	7,335	**16,547**	**285,368**
Staff training and development	1,906	4,748	-	18,096	16,532	**41,282**	22,694	53	**22,747**	**64,029**
Office supplies	20,395	10,736	-	37,995	42,277	**111,403**	47,907	14,140	**62,047**	**173,450**
Depreciation and amortization	76,991	65,683	-	107,281	-	**249,955**	19,833	4,839	**24,672**	**274,627**
Interest, penalties, assessments, and other	3,508	1,810	-	3,800	14	**9,132**	12,401	4,757	**17,158**	**26,290**
Marketing and promotion	5,741	5,126	-	6,594	1,244	**18,705**	2,790	12,875	**15,665**	**34,370**
Total other expenses	467,196	816,293	18,810	1,512,051	988,656	**3,803,006**	252,029	63,209	**315,238**	**4,118,244**
Total expenses	$ 1,454,329	$ 3,189,385	$ 18,810	$ 4,365,484	$ 4,235,415	**$ 13,263,423**	$ 572,013	$ 345,584	**$ 917,597**	**$ 14,181,020**

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

Easter Seals South Florida, Inc.

Statements of Cash Flows

For the years ended August 31,	**2021**	2020
Cash flows from operating activities:		
Change in net assets	**$ 16,812,340**	$ (420,743)
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities:		
Realized and unrealized gains on investments	**(1,219,754)**	(250,983)
Gain on sale of investment in partnership	**(9,832,316)**	-
Depreciation and amortization	**313,157**	274,627
Change in allowance for doubtful accounts	**(28,095)**	-
Forgiveness of Paycheck Protection Program Loan	**(1,907,000)**	-
Changes in operating assets and liabilities:		
Grants and accounts receivables	**(371,093)**	(13,990)
Contributions receivable, net	**141,858**	(19,735)
Prepaid expenses	**(14,204)**	(13,599)
Other assets	**-**	1,900
Accounts payable and accrued expenses	**(1,217)**	(95,966)
Taxes payable	**1,619,200**	76,906
Refundable advances	**256,341**	68,665
Net cash provided by (used in) operating activities	**5,769,217**	(392,918)
Cash flows from investing activities:		
Purchases of investments	**(11,282,323)**	(492,838)
Sales of investments	**5,274,796**	473,036
Sale of investment in partnership	**12,541,973**	-
Purchase of property and equipment	**(422,869)**	(642,681)
Net cash provided by (used in) investing activities	**6,111,577**	(662,483)
Cash Flows from Financing Activities:		
Paycheck Protection Program Loan	**-**	1,907,000
Borrowings from Economic Injury Disaster Loan	**-**	150,000
Net cash provided by financing activities	**-**	2,057,000
Net increase in cash and cash equivalents	**11,880,794**	1,001,599
Cash and cash equivalents, beginning of year	**1,813,120**	811,521
Cash and cash equivalents, end of year	**$ 13,693,914**	$ 1,813,120
Non-cash Financing Activities		
Forgiveness of Paycheck Protection Program Loan	**$ 1,907,000**	$ -

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

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

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

Use of Estimates

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

Basis of Accounting

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

Net Assets

Net assets can be classified in the following categories:

- *Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions, including *stipulations* that either expire by passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

- *Net Assets Without Donor Restrictions* - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in net assets with donor restrictions.

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments as cash equivalents that have an original maturity of three months or less. The Organization maintains its cash in bank deposit accounts. These deposits may exceed the amount of Federal Deposit Insurance Corporation (FDIC) insurance provided on such deposits; generally, these deposits may be redeemed upon demand and; therefore, bear minimal risk. At August 31, 2021 and 2020, the Organization had $13,440,242 and $1,498,372, respectively, in cash uninsured by the FDIC.

Grants and Accounts Receivable, Net

Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances and consists of amounts due from various government agencies and other third parties. The Organization's agreements with government agencies typically require the Organization to apply for annual renewal. The Organization carries grants and accounts receivable net of an estimated allowance for doubtful accounts. The allowance is based on the Organization's experience with the agencies and the third-party contracts and other circumstances which may affect the ability of the funder to meet their obligations. Receivables are considered impaired if payments are not received in accordance with contractual terms. It is the Organization's policy to charge off uncollectible grants and accounts receivable against the allowance when management determines the receivable will not be collected. The allowance for doubtful accounts as of August 31, 2021 and 2020 was $92,661 and $108,131, respectively.

Contributions Receivable, Net

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

Investments

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

Unrealized gains and losses are included in the change in net assets. Recognized gains and losses, dividends, interest and other income generated by the investment in partnership are reported in the statements of activities as increases in net assets without donor restrictions unless the activity is restricted by the donor. Gains that are restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The overall valuation processes and information sources by major investment classification are as follows:

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

Investment in partnership: The Organization initially recorded its equity interest in partnerships at their fair values as of the dates the investments were donated to the Organization and thereafter carries such investments at the carrying value.

Property and Equipment, Net

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

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

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

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its carrying amount in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset’s carrying value over its estimated fair value. No impairment has been recognized during the years ended August 31, 2021 and 2020.

Refundable Advances

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

Paycheck Protection Program Loan and Forgiveness

The Organization accounted for its Paycheck Protection Program (PPP) loan in accordance with ASC 470, *Debt*. Under this model, the liability is derecognized upon repayment to the creditor or upon legal release under ASC 405-20, *Extinguishments of Liabilities*. Legal release of this obligation occurred with confirmation of forgiveness from the Small Business Administration (SBA) at which time the liability will be removed and recorded as other income.

Contributions

Contributions, including unconditional promises to give, are recorded at fair value as made. Conditional promises to give, this is those with a measurable performance barrier or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional contributions, except for advances from grant awards, at August 31, 2021 or 2020. The Organization reports gifts as contributions with donor restrictions if they are pledged, restricted for future periods, or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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.

Donated Non-Cash Assets

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

Donated Facilities and Services

Donated facilities and services are reflected in the accompanying statement of activities at their estimated fair value at the date of receipt. The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skill that would typically need to be purchased if not provided by donation. The value of donated services is recorded as contributions and expenses in the period received. The amount of donated rent amounted to $130,100 in both 2021 and 2020 and the amount of donated services amounted to $162,152 and $171,153 for the years ended August 31, 2021 and 2020, respectively. Donated services consisted primarily of services for the childhood services, the Organization seeks donations of specific services to comply with the Head Start Program in-kind requirements.

Functional Allocation of Expenses

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

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

Early Childhood

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

Educational Services

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

Vocational Services

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

Adult and Senior Care Services

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

Head Start

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

Income Taxes

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and similar income tax regulations of the State of Florida. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization other than a private foundation under Section 509(a) (2). The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its financial statements include any uncertain tax positions. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

Income determined to be unrelated business income would be taxable. The Organization accrued approximately $1,812,000 and $193,000 for the years ended August 31, 2021 and 2020, respectively, for tax liabilities for unrelated business income taxes.

Recently Issued Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The Organization adopted this ASU on September 1, 2020. The Organization implemented ASU 2014-09 using a modified retrospective approach of application applied to all open contracts as of September 1, 2020. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

Accounting Pronouncements to be Adopted

Leases

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

Management has elected this deferral and is currently evaluating the impact of this ASU on its financial statements.

Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is effective for annual reporting periods beginning after June 15, 2021 and should be applied on a retrospective basis. The Organization is evaluating the effect that ASU 2020-07 will have on its financial statements and related disclosures.

Reclassifications

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

2. Investment in Partnership

In October 1996, the Organization was devised an interest in the Estate of Josephine Wolfe (the Estate). As certain portions of the Estate cleared probate, the Organization received approximately $500,000 and $4,000,000 from its interest in the Estate during fiscal years 1997 and 1998, respectively. During fiscal year 1999, the Organization received an additional devise of the Estate consisting primarily of equity interest in a partnership with 14.7% interest. The partnership holds an investment in real estate. The Organization recorded the bequest of this equity interest at the estimated fair value at the time of donation, based on an independent appraisal. In 2018, the partnership converted to a limited liability company (LLC) and one member bought back one of the member's equity share using the loan (the Loan) proceeds it obtained from a bank secured by the partnership's total assets. Consequently, the Organization's equity share increased from 14.7% to 26.3% in the LLC. Per authoritative guidance, the Organization can view a limited liability company similar to a partnership, as opposed to a corporation, for purposes of determining how to account for the interest in a limited liability company. The Organization determined that it has no control over the LLC and does not hold more than a minor interest. Therefore, the Organization continues to classify their equity interest in the LLC at the investment's carrying value on the statements of financial position. As of August 31, 2020, the carrying value of the investment in partnership was $2,709,657.

Dividends distributed from accumulated earnings of the investee are recorded as revenue in the period received in the statement of activities as distributions received from investment in partnership. Distributions received from this partnership were $369,568 and $427,226 for the years ended August 31, 2021 and 2020, respectively.

The Loan required the Organization and other partners in the partnership to serve as guarantors (the "Guarantors"). The Guarantors guarantee the due and prompt payment of all amounts and the due and prompt performance of the partnership of all obligations for which the partnership is liable under the terms of the loan. This guarantee is triggered in the event the partnership otherwise does not perform under the terms of the loan.

On August 19, 2021, the property held by the LLC was sold and the Organization received its portion of the proceeds of $12,541,973 and recognized a gain on sale of $9,832,316 which is recorded on the statement of activities as gain on sale of investment in partnership. The Organization recognized approximately $1,642,000 as tax expense related to the gain on sale. As of August 31, 2021, the carrying value of the investment in partnership was $0.

3. Fair Value Measurements

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following table presents the Organization's investments measured at fair value and segregated by level within the fair value hierarchy as of August 31, 2021:

	Fair Value Measurements at Reporting Date Using:			
	Quoted Prices In Active Markets For Identical Assets Level 1	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
Description:				
Stocks	$ 7,937,370	$ -	$ -	$ 7,937,370
Closed-end mutual funds	18,486	-	-	18,486
Corporate Bonds	3,929,625	-	-	3,929,625
Total	$ 11,885,481	$ -	$ -	$ 11,885,481

The following table presents the Organization's investments measured at fair value and segregated by level within the fair value hierarchy as of August 31, 2020:

	Fair Value Measurements at Reporting Date Using:			
	Quoted Prices In Active Markets For Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Description:				
Stocks	$ 2,876,668	$ -	$ -	$ 2,876,668
Closed-end mutual funds	1,114	-	-	1,114
Corporate Bonds	1,780,417	-	-	1,780,417
Total	$ 4,658,199	$ -	$ -	$ 4,658,199

4. Contributions Receivable, Net

Gross contributions receivable as of August 31, 2021 and 2020 amounted to $143,283 and $285,141, respectively. Contributions receivable utilizing discount rates of 1.0% consist of:

	2021	2020
Receivables due in less than one year	**$ 83,100**	$ 234,161
Receivables due greater than one year	**60,183**	50,980
Less: discounts to net present value	**(6,078)**	(6,078)
Less: allowance for doubtful accounts	**(19,057)**	(31,682)
	$ 118,148	$ 247,381

5. Property and Equipment, Net

Property and equipment, net, at August 31, 2021 and 2020 consisted of the following:

	2021	2020
Land	**$ 679,948**	$ 679,948
Building and building improvements	**6,773,128**	6,350,260
Furniture and equipment	**768,883**	768,883
Therapeutic pool	**134,869**	134,869
Vehicles	**255,528**	255,528
Software	**110,011**	110,011
Leasehold Improvements	**167,286**	167,286
Total property and equipment	**8,889,653**	8,466,785
Accumulated depreciation	**(5,515,630)**	(5,202,473)
Property and equipment, net	**$ 3,374,023**	$ 3,264,312

6. Notes payable

The Organization applied for and received funds under the PPP in the amount of $1,907,000 during the year ended August 31, 2020. The application for these funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

The SBA has stated that all PPP loans in excess of $2 million, and other PPP loans as appropriate, will be subject to review by the SBA for compliance with program requirements. If the SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request or the subsequent use of loan proceeds, the SBA will seek repayment of the PPP loan, including interest and potential penalties. While we believe our loan was properly obtained, there can be no assurance regarding the outcome of an SBA review.

The loan has been properly recorded in the Organization's statements of financial position as of August 31, 2020 as a note payable. The Organization has applied for and has received full forgiveness for the SBA Paycheck Protection Program loan on June 10, 2021, in the amount of 1,907,000. The amounts have been properly recorded in statement of activities as Forgiveness of Paycheck Protection Program Loan.

The Organization also received an SBA Economic Injury Disaster (EID) Loan in the amount of $150,000 during the year ended August 31, 2020. Installment payments, including principal and interest, of $641 monthly, will begin on July 1, 2022. The balance of principal and interest will be payable on July 1, 2050. Interest will accrue at the rate of 2.75% per annum and will accrue only on funds actually advanced from the date(s) of each advance. Both PPP and EID loans are included in Notes payable in the statements of financial position.

7. Retirement Plan

Effective June 1, 1997, the Organization implemented a defined contribution retirement plan in accordance with Section 403(b) of the Internal Revenue Code, Tax Deferred Annuity Plan. The plan, which is administered by a third party, is funded by employee contributions up to the amount allowed by law per employee per year and discretionary contributions by the Organization. All permissible employees of the Organization, as defined in accordance with the universal availability standards are eligible to enroll on the first day of the quarter following their date of hire. No discretionary contributions were made for the years ended August 31, 2021 and 2020.

8. Membership Fees to Affiliated Organization

In accordance with the terms of the membership agreement between the Organization and National Easter Seals, Inc. (the "National Organization"), the Organization is subject to membership fees as part of its national affiliation, as determined by a formula included in the membership agreement. Fees paid to the National Organization for the years ended August 31, 2021 and 2020 were $76,786 and $70,629, respectively, and are included on the accompanying statement of activities.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are available with the following restrictions as of August 31, 2021 and 2020:

		2021		2020
Joan Bernstein Scholarship Fund - purpose restricted	**$**	**124,881**	$	79,881
Program services and projects - time restricted		**140,228**		253,461
Total temporarily restricted net assets	**$**	**265,109**	$	333,342

Net assets released from restrictions of $301,633 and $236,795 during the years ended August 31, 2021 and 2020, respectively were all released due to the expiration of time restrictions.

10. Concentrations

Grant Awards

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

For 2020, the Organization received approximately 33% of its government grant funding from the U.S. Department of Health and Human Services - Head Start Program, 12% from Alliance for Aging, and 11% from The Children’s Trust. As of August 31, 2020, receivables from the U.S. Department of Health and Human Services - Head Start Program, accounted for 22% of the Organization's total grants and accounts receivable. Receivables from the Alliance for Aging accounted for approximately 16% of the Organization's total grants and accounts receivable. Receivables from The Children's Trust accounted for approximately 28% of the Organization's total grants and accounts receivable.

For 2021, the Organization received approximately 80% of its contribution funding from one individual. There was no such concentration in 2020.

11. Commitments and Contingencies

Leases

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

The Organization leases offices and office equipment under various operating lease agreements.

These leases have various terms of up to 39 months and expire on various dates through 2023.

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

2022	$ 106,190
2023	1,289
Total	$ 107,479

Lease expense for the years ended August 31, 2021 and 2020 was approximately $143,000 and $179,000, respectively, and is included in occupancy and office supplies on the accompanying statements of functional expenses.

Contingencies

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

As of August 31, 2021, the Organization had a revolving line of credit with a maximum credit limit of $1 million. The line of credit is attached to the Organization's investment account and has no expiration date. As of the year end, the balance on this line was $0.

12. Liquidity

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

August 31,	**2021**	2020
Cash and cash equivalents	**$ 13,693,914**	$ 1,813,120
Grants and accounts receivable, net	**1,779,710**	1,393,147
Contributions receivable, net	**118,148**	247,381
Investments	**11,885,481**	4,658,199
Restricted net assets	**(265,109)**	(333,342)
Financial Assets without Donor Restriction	**$ 27,212,144**	$ 7,778,505

Additionally, the Organization has a $1 million line of credit available to meet any obligations that come due (Note 11).

13. Subsequent Events

Events occurring after August 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustments to the financial statements or disclosures through May 23, 2022, which is the date when these financial statements are available to be issued.

In January 2022, the Board of Directors authorized management to sell a parcel of undeveloped land owned by Easter Seals. The cost basis of the land is approximately $680,000 and is included within Property and Equipment, net as of August 31, 2021 and 2020. On March 18, 2022, Easter Seals entered into a Purchase and Sale Agreement with a buyer with closing anticipated in July 2022.

In May 2022, the LLC in which the Organization had an investment in partnership was dissolved and the Organization received a final distribution of approximately $7,000.

Other Financial Information Required by *Government Auditing Standards*, the Uniform Guidance, and the Florida Single Audit Act

Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

100 SE 2nd St., Suite 1700
Miami, FL 33131

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Easter Seals South Florida, Inc. (the Organization), which comprise the Organization's statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP
Certified Public Accountants

Miami, Florida
May 23, 2022

Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

100 SE 2nd St., Suite 1700
Miami, FL 33131

Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*

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

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

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

We have audited Easter Seals South Florida, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement*, and the requirements identified as subject to audit in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on the Organization's major federal program and state project for the year ended August 31, 2021. The Organization's major federal program and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and the major state project for the year ended August 31, 2021.

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

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

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.

Government Auditing Standards the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General,* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

BDO USA, LLP
Certified Public Accountants

Miami, Florida
May 23, 2022

Schedules of Expenditures of Federal Awards and State Financial Assistance

Easter Seals South Florida, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2021

Federal or Grantor/Pass -Through/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Expenditures
U.S. Department of Health and Human Services				
Pass-through from Miami-Dade County				
Head Start/Early Head Start Program	93.600	RFA16	$ -	$ 3,650,557
Coronavirus Aid, Relief & Economics Safety (CARES) Act	93.600	n/a	-	331,564
Subtotal pass through from Miami-Dade County			-	3,982,121
Pass-through from Council/City of Pembroke Pines				
Title III, Part B Support Services	93.044	JA1-16-10-2017	-	23,372
Title III, Part E Support Services	93.052	JA1-16-10-2017	-	19,976
Subtotal pass through from City of Pembroke Pines			-	43,348
Pass-through from Alliance for Aging				
Coronavirus Aid, Relief & Economics Safety (CARES) Act	93.354	KCA-2092	-	12,692
Subtotal pass through from Alliance for Aging			-	12,692
Total U.S. Department of Health and Human Services			-	4,038,161
Corporation for National and Community Service				
Pass-through from State of Florida				
Department of Elder Affairs				
AmeriCorps Program	94.006	XV121	-	103,605
Total Corporation for National and Community Service			-	103,605
U.S. Department of Agriculture				
Pass-Through from State of Florida				
Department of Elder Affairs				
Adult Care Food Program				
(Non-Pricing Program)	10.558	Y3013	-	11,783
Pass-Through from State of Florida				
Department of Health				
Child Care Food Program	10.558	S-3934	-	305,213
(Non-Pricing Program)	10.558	S-3934	-	49,456
Total U.S. Department of Agriculture			-	366,452
Total Expenditures of Federal Awards			$ -	$ 4,508,218

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

Easter Seals South Florida, Inc.
Schedule of Expenditures of State Financial Assistance
Year Ended August 31, 2021

State Grantor/Pass-Through Grantor/ Program or Title	CSFA Number	Pass-through Entity Identifying Number	Total Expenditures
Florida Department of Elder Affairs			
Pass-Through from Alliance of Aging Alzheimer's Disease Initiative	65.004	KZ-2092, KZ-2192	$ 1,667,091
Alzheimer's Respite Series			
Pass through from AmeriCorps: Respite for Elders Living in Everyday Families	65.006	XV121	50,429
Total Expenditures of State Financial Assistance			$ 1,717,520

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

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") include the federal awards and state financial assistance project activity of Easter Seals South Florida, Inc. (the "Organization") under programs of the federal government and State of Florida for the year ended August 31, 2021. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Florida Auditor General,* respectively. Because the Schedules present only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, changes in net assets or cash flows of the Organization.

The Organization had no federally funded insurance programs or loan guarantees during the year ended August 31, 2021.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Easter Seals South Florida, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2021

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified

Internal Control over Financial Reporting:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards and State Projects:

Internal control over major programs:

Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) or Chapter 10.650, *Rules of Florida Auditor General*?		Yes	X	No

Identification of Major Programs:

Federal Program:

CFDA Number	Name of Program
93.600	Head Start/Early Head Start Program

State Project:

CSFA Number	Name of Program
65.004	Alzheimer's Disease Initiative

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

Federal programs				$ 750,000
State projects				$ 515,256
Auditee qualified as a low risk auditee?	X	Yes		No

SECTION II – Financial Statement Findings

There were no audit findings on the internal control over financial reporting based on the audited financial statements performed in accordance with *Government Auditing Standards*.

SECTION III – Award Findings and Questioned Costs – Federal Awards and State Financial Assistance Projects

2021-001: Internal Control over Compliance and Compliance with Reporting - Preparation of the Schedule of Expenditures of Federal Awards (SEFA) and the Schedule of Expenditures of State Financial Assistance (SEFSA)

Criteria: The Uniform Guidance in 2 CFR Section 200.510 (b) states in part: "The auditee must also prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with CFR Section §200.502 Basis for determining Federal awards expended."

In accordance with §200.302 Financial Management, a non-federal entity's financial management systems, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations, and the terms and conditions of the federal award. The financial management system of each non-federal entity must provide for the following:

1) Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received.
2) Accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with the reporting requirements set forth in §200.327 Financial Reporting and §200.328 Monitoring and Reporting Program Performance.
3) Records that identify adequately the source and application of funds for federally-funded activities.
4) Effective control over, and accountability for, all funds, property, and other assets.

The *Department of Financials Services State Projects Compliance Supplement* Part 5 - Internal Controls, notes that characteristics of internal control related to information and communication include the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. These controls should include a record keeping system that ensures accounting records are maintained appropriately and adequate source documentation exists to support amounts and items reported on the SEFSA.

Condition: The following conditions were identified during the testing of the SEFA and SEFSA:

1) The SEFA originally prepared by management included one award that should not have been included and therefore was required to be removed from the SEFA to ensure accurate reporting of federal expenditures. The modification to the SEFA were appropriately corrected and did not impact major program determination.
2) The SEFA did not segregate certain expenditures related to COVID funding from the other funding provided by an agency. The modification to the SEFA were appropriately corrected and did not impact major program determination.

3) The SEFA and SEFSA included payroll expenditures for which the allocation detail could not be completely generated from the general ledger system upon request. Management ultimately compiled the proper documentation through original source data to support the allocations and expenditures, however, the SEFA and SEFSA should be supported by general ledger detail that can be used to trace the expenditures including related overhead allocations, consistent with internal policies. The payroll costs charged to the programs were validated by employee time sheets and other original source records.

Questioned Costs: There are no questioned costs related to the items described above.

Context: The conditions outlined above are based on our testing of Easter Seals of South Florida, Inc.'s major programs and projects and our overall testing of the accuracy of the SEFA and SEFSA. The nature of these findings is detailed in the condition section above.

Cause: The internal controls established for the review and approval of the SEFA and SEFSA at year end to ensure its completeness and accuracy did not operate as designed due to personnel changes in the accounting and finance department responsible for the SEFA and SEFSA.

Effect: The SEFA and SEFSA provided for the audit was inaccurate for the reasons outlined in the condition section above. Failure to accurately report expenditures and programs on the SEFA and SEFSA resulted in adjustments to the SEFA and SEFSA.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that management review its policies and procedures to ensure that Federal and State expenditures are correctly reported on the SEFA and SEFSA by ensuring program personnel review general ledger data to be used for reporting on a routine basis throughout the year. Management should ensure policies and procedures are formally documented so they can be performed as prescribed, especially in the event of turnover of key process owners. We also recommend cross training of personnel to fill roles when turnover occurs in order to limit the impact on internal controls.

Views of Responsible Officials:

Easter Seals experienced turnover of key staff near the end of the fiscal year under audit. In addition, the Organization received an influx of new funding related to COVID relief which had never previously been received. Due to those reasons, there were modifications to the SEFA and SEFSA after the audit commenced. The modifications were made on a timely basis and were not material to any major program determination or testing.

In order to address the deficiency, management will continue to closely review and monitor all contracts to ensure all federal and state expenditures are properly classified on the SEFA and SEFSA. Management will also ensure more than one finance team member is trained on the preparation of the SEFA and SEFSA. Detailed procedures related to the SEFA and SEFSA will be updated and documented in the accounting policies and procedures.