Easter Seals South Florida, Inc.

Financial Statements; Reports Required by Government Auditing Standards, the Uniform Guidance, the Florida Auditor General; and Schedules of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended August 31, 2018

With Summarized Comparative Information
For the Year Ended August 31, 2017

Easter Seals South Florida, Inc.

Contents

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals South Florida, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals South Florida, Inc. as of August 31, 2018, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis 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 Chapter 10.650, Rules of the Florida Auditor General, and is not required part of the basic 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. Such 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 February 26, 2019, 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.

Report on Summarized Information

We have previously audited the Organization's 2017 financial statements, and expressed an unmodified audit opinion on those financial statements in our report dated February 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respect, with our audited financial statement from which it has been derived.

BDO USA, LLP

Miami, Florida
February 26, 2019

Certified Public Accountants

Financial Statements

Easter Seals South Florida, Inc.

Statements of Financial Position

As of August 31,		**2018**		2017
Assets				
Cash and cash equivalents	**$**	**987,558**	$	844,194
Grants and accounts receivable, net		**1,190,614**		1,436,621
Contributions receivable, net		**225,376**		403,122
Prepaid expenses		**70,844**		33,523
Investments		**7,140,399**		6,935,766
Property and equipment, net		**2,653,470**		2,781,025
Other assets		**13,288**		13,154
Total assets	**$**	**12,281,549**	$	12,447,405
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**1,118,591**	$	991,055
Refundable advances		**184,373**		767,994
Obligations under capital leases		**4,249**		13,080
Total liabilities		**1,307,213**		1,772,129
Net assets				
Unrestricted		**10,662,999**		10,186,194
Temporarily restricted		**311,337**		489,082
Total net assets		**10,974,336**		10,675,276
Total liabilities and net assets	**$**	**12,281,549**	$	12,447,405

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

Easter Seals South Florida, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2018
(With Summarized Comparative Information for the Year Ended August 31, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
Public Support, Revenue and Gains				
Contributions	$ 1,000,898	$ 414,893	$ 1,415,791	$ 1,033,692
Special events, net of direct costs of $63,730 for 2018 and $72,707 for 2017	97,341	-	97,341	65,512
Government grants and contracts	9,589,855	-	9,589,855	9,072,699
Program service fee	1,951,264	-	1,951,264	1,960,539
Investment income, net	100,279	-	100,279	91,905
Net realized and unrealized gains on investments	188,120	-	188,120	266,174
Distributions received from investments in partnerships	311,801	-	311,801	264,708
In-kind contributions	362,659	-	362,659	526,461
Other income	70,946	-	70,946	12,067
Net assets released from restrictions	592,638	(592,638)	-	-
Total public support, revenue and gains	14,265,801	(177,745)	14,088,056	13,293,757
Expenses				
Functional expenses:				
Program services	12,655,573	-	12,655,573	11,978,792
Supporting activities:				
Management and general	625,748	-	625,748	599,030
Fundraising activities	446,333	-	446,333	429,912
Total functional expenses	13,727,654	-	13,727,654	13,007,734
Membership fees to affiliated organization	61,342	-	61,342	60,226
Total expenses	13,788,996	-	13,788,996	13,067,960
Changes in net assets	476,805	(177,745)	299,060	225,797
Net assets, beginning of year	10,186,194	489,082	10,675,276	10,449,479
Net assets, end of year	$ 10,662,999	$ 311,337	$ 10,974,336	$ 10,675,276

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

Easter Seals South Florida, Inc.
Statement of Functional Expenses
For the Year Ended August 31, 2018
(With Summarized Comparative Information for the Year Ended August 31, 2017)

	2018										2017
	Program Services						Supporting Activities				
	Early Childhood	Educational Services	Vocational Services	Adult and Senior Care Services	Head Start	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	Total
Salaries and benefits:											
Salaries and wages	$ 707,923	$ 1,868,318	$ -	$ 2,360,637	$ 2,696,803	$ 7,633,681	$ 282,945	$ 306,761	$ 589,706	$ 8,223,387	$ 7,867,204
Payroll taxes and employee benefits	126,012	286,230	-	455,909	559,070	1,427,221	46,400	54,829	101,229	1,528,450	1,484,066
Total salaries and benefits	833,935	2,154,548	-	2,816,546	3,255,873	9,060,902	329,345	361,590	690,935	9,751,837	9,351,270
Other expenses:											
Contracted services	157,789	16,891	16,150	104,573	24,094	319,497	527	15,178	15,705	335,202	237,234
Professional fees	20,849	38,020	-	38,073	56,042	152,984	4,983	86,587	91,570	244,554	207,944
Program supplies and expenses	46,224	211,134	183	503,066	428,758	1,189,365	1,892	1,971	3,863	1,193,228	1,090,911
Occupancy	87,482	147,830	-	406,531	99,971	741,814	6,485	41,273	47,758	789,572	648,807
Travel and transportation	3,089	60,227	-	51,881	8,464	123,661	243	7,484	7,727	131,388	109,582
Insurance	32,220	39,088	-	62,815	84,150	218,273	4,022	7,915	11,937	230,210	251,136
Staff training and development	10,563	19,197	-	16,101	20,422	66,283	2,894	24,333	27,227	93,510	99,577
Office supplies	16,049	41,388	1,079	50,107	43,629	152,252	11,799	35,835	47,634	199,886	155,088
Bad debt expense	22,136	-	-	7,864	-	30,000	70,000	-	70,000	100,000	45,453
Depreciation	70,192	66,283	-	75,272	-	211,747	2,242	10,956	13,198	224,945	214,894
In-kind contributions expense	-	130,100	-	420	232,139	362,659	-	-	-	362,659	526,461
Interest, penalties, assessments, and other	1,833	1,898	-	3,586	-	7,317	4,511	31,922	36,433	43,750	25,479
Marketing and promotion	18,819	-	-	-	-	18,819	7,390	704	8,094	26,913	43,898
Total other expenses	487,245	772,056	17,412	1,320,289	997,669	3,594,671	116,988	264,158	381,146	3,975,817	3,656,464
Total expenses	$ 1,321,180	$ 2,926,604	$ 17,412	$ 4,136,835	$ 4,253,542	$ 12,655,573	$ 446,333	$ 625,748	$ 1,072,081	$ 13,727,654	$ 13,007,734

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,		2018		2017
Cash flows from operating activities:				
Changes in net assets	**$**	**299,060**	$	225,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Net realized and unrealized gains on investments		**(188,120)**		(266,174)
Depreciation		**224,945**		214,894
Change in allowance for doubtful accounts		**65,253**		(13,104)
Changes in operating assets and liabilities:				
Grants and accounts receivables		**216,007**		(234,332)
Contributions receivable, net		**142,493**		111,089
Prepaid expenses		**(37,321)**		5,327
Other assets		**(134)**		5,573
Accounts payable and accrued expenses		**127,536**		(85,557)
Refundable advances		**(583,621)**		733,377
Deferred compensation		**-**		(53,162)
Net cash provided by operating activities		**266,098**		643,728
Cash flows from investing activities:				
Net (purchases) of investments		**(16,512)**		(1,684)
Purchase of property and equipment		**(97,391)**		(316,476)
Net cash used in investing activities		**(113,903)**		(318,160)
Cash flows from financing activities:				
Repayments of obligations under capital leases		**(8,831)**		(8,258)
Net cash used in financing activities		**(8,831)**		(8,258)
Net increase in cash and cash equivalents		**143,364**		317,310
Cash and cash equivalents, beginning of year		**844,194**		526,884
Cash and cash equivalents, end of year	**$**	**987,558**	$	844,194

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 not-for-profit 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

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The following classes of net assets are maintained:

Unrestricted net assets - includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Temporarily restricted net assets - related to gifts with explicit donor-imposed restrictions that have not been met as to specific purpose, or later periods of time or after specified dates.

Permanently restricted net assets – related to explicit donor-imposed restrictions that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. As of August 31, 2018 and 2017, the Organization did not have any permanently restricted net assets.

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 FDIC insurance provided on such deposits; generally these deposits may be redeemed upon demand and; therefore, bear minimal risk. At August 31, 2018 and 2017, the Organization had $898,397 and $645,757, respectively, in cash uninsured by the Federal Deposit Insurance Corporation.

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 Organization provides for losses on grants and accounts receivable using the allowance method. The allowance is based on the Organization's experience with third party contracts and other circumstances which may affect the ability of clients 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, 2018 and 2017 was $139,075 and $109,075, respectively.

Contributions Receivable, Net

Contributions receivable 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 at a rate of 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. The allowance for doubtful accounts as of August 31, 2018 and 2017 was $113,033 and $77,780, respectively.

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, investment income and gains restricted by a donor are reported as increases in unrestricted net assets 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, corporate bonds, real estate – REITs, and preferred trust securities (all Level 1 measurements). The fair value of these investments is based on quoted net asset values of the shares held by the Organization at year-end.
>
> *Equity interest in partnerships*: 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 that value in accordance with the cost method of accounting.

Property and Equipment, Net

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.

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 and changes in net assets.

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 fair value 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, 2018 and 2017.

Refundable Advances

The Organization records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenues.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are pledged 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Donated Non-Cash Assets

Donations of non-cash assets are recorded as support at their estimated fair values at the date of donation. Such donations would be reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily or permanently restricted support.

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 reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Supplies and Services

Donated supplies and services are reflected in the accompanying statement of activities and changes in net assets 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.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class and with no statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the Organization’s programs and other activities have been summarized in the accompanying statement of activities and changes in net assets. Direct expenses have been assigned to functions based on specific identification. 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 expenses are allocated among the functional expense categories based on usage information.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and 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 2015.

Income determined to be unrelated business income would be taxable. The Organization accrued an approximate $23,000 and $0 for the years ended August 31, 2018 and 2017, respectively, for tax liabilities for unrelated business income taxes.

Subsequent Events

The Organization's management has evaluated subsequent events through February 26, 2019, the date which the financial statements were available for issue.

2. Bequests

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 Organization recorded the bequest of this equity interest at the estimated fair value at the time of donation, based on an independent appraisal. The investment balances relating to investments in partnerships are included as investments in the accompanying statements of financial position as of August 31, 2018 and 2017 and distributions received from investments in partnerships are reflected in the accompanying statement of activities and changes in net assets. As of August 31, 2018 and 2017, the carrying value of the investments in partnerships was $2,709,657.

In May 2018, the general partnership bought back one of the partner's equity share using the loan proceeds it obtained from a bank secured by the partnership's total assets. The partnership dissolved as a result of this change in ownership. The remaining partners formed a new limited liability company ("LLC") and transferred the remaining partners' equity as their capital contribution to the new LLC. Consequently, the Organization's equity share increased from 14.7% to 26.3% of the new LLC.

The loan required the Organization and other partners in the partnership to serve as guarantor (the "Guarantors"). The Guarantors guarantee the due and prompt payment of all amounts and the due and prompt performance of the LLC of all obligations for which the LLC is liable under the terms of the loan.

3. Fair Value Measurements

FASB 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.

Description		Fair Value 8/31/18		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Stocks	**$**	**2,620,508**	**$**	**2,620,508**	**$**	**-**	**$**	**-**
Closed-end mutual funds		**8,402**		**8,402**		**-**		**-**
Corporate Bonds		**1,801,832**		**1,801,832**		**-**		**-**
Total	**$**	**4,430,742**	**$**	**4,430,742**	**$**	**-**	**$**	**-**

Description		Fair Value 8/31/17		Quoted prices in active markets for identical assets (Level 1)		Significant other observable inputs (Level 2)		Significant unobservable inputs (Level 3)
Stocks	$	2,264,938	$	2,264,938	$	-	$	-
Closed-end mutual funds		9,170		9,170		-		-
Corporate bonds		1,861,436		1,861,436		-		-
Real estate – REITs		90,565		90,565		-		-
Total	$	4,226,109	$	4,226,109	$	-	$	-

4. Contributions Receivable, Net

Contributions receivable as of August 31, 2018 and 2017 amounted to $344,487 and $486,980, respectively, before net present value discounts. Contributions receivable utilizing discount rates of 1.0% consist of:

		2018		2017
Receivables due in less than one year	**$**	**227,987**	$	440,246
Receivables due greater than one year		**116,500**		46,734
Less: discounts to net present value		**(6,078)**		(6,078)
Less: allowance for doubtful accounts		**(113,033)**		(77,780)
Total	**$**	**225,376**	$	403,122

5. Investments

Investments at August 31, 2018 and 2017 are summarized as follows:

	2018	2017
Closed-end mutual funds	**$ 8,402**	$ 9,170
Stocks	**2,620,508**	2,264,938
Corporate bonds	**1,801,832**	1,861,436
Real estate - REITs	**-**	90,565
Investments in partnerships	**2,709,657**	2,709,657
Total	**$ 7,140,399**	$ 6,935,766

The Organization has equity interest in a partnership with 26.3% interest (see Note 2 - Bequests). The Organization recorded the bequest of this equity interest at the estimated fair value, at the time of donation, based on an independent appraisal. Dividends distributed from accumulated earnings of the investee are recorded as revenue in the period received in the statement of activities and changes in net assets as distributions received from investments in partnerships. Distributions in excess of accumulated earnings are considered a return of investment and recorded as a reduction of the cost of the investment. The carrying value of the Organization's investments in partnerships is recorded in the statements of financial position within investments.

Investment income is reported net of related investment expenses in the statement of activities and changes in net assets. The amount of expenses netted were $13,404 and $11,792 for the years ended August 31, 2018 and 2017, respectively.

6. Property and Equipment, Net

Property and equipment, net, at August 31, 2018 and 2017 consisted of the following:

	2018	2017
Land	**$ 679,948**	$ 679,948
Building and building improvements	**5,332,240**	5,324,265
Furniture and equipment	**625,013**	603,767
Therapeutic pool	**134,870**	134,869
Vehicles	**308,658**	255,528
Software	**110,011**	110,014
Leasehold improvements	**162,907**	147,866
Total property and equipment	**7,353,647**	7,256,257
Accumulated depreciation	**(4,700,177)**	(4,475,232)
Property and equipment, net	**$ 2,653,470**	$ 2,781,025

Depreciation expense for the years ended August 31, 2018 and 2017 was $224,945 and $214,894, respectively.

7. Obligations Under Capital Leases

The Organization acquired certain equipment under two leasing agreements classified as capital leases, which expire on various dates through February 2019. The obligation under capital leases is payable in monthly installments of $395 for both leases, including interest ranging from 6.03% to 7.42%. The total cost and accumulated depreciation of the assets at August 31 consisted of the following:

	2018	2017
Equipment under capital lease	**$ 39,994**	$ 39,994
Accumulated depreciation	**(36,325)**	(28,325)
Equipment under capital lease, net	**$ 3,669**	$ 11,669

The present values of future minimum payments at August 31, 2018 under these leases is as follows:

2019	$ 4,325
Total minimum lease payments	4,325
Less: amounts representing interest	(76)
Total obligation under capital leases	$ 4,249

8. 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. No discretionary contributions were made for the years ended August 31, 2018 and 2017.

9. Deferred Compensation Plan

The Organization has a deferred compensation plan for a former management employee. The plan provides for specified monthly payments for ten years after retirement in the form of an annuity.

The future benefit expected to be paid out under the plan was accrued over the individual employee's expected service period. The deferred compensation liability as of year-end represents the present value of the benefit expected to be provided in exchange for the employee's service rendered to the date of retirement.

The Organization recognized interest expense related to this plan in the amounts of $0 and $3,039 for the years ended August 31, 2018 and 2017, respectively. Annuities, net of interest cost, under the plan amounted to $0 as of August 31, 2018 and 2017. All amounts were paid during 2017.

10. 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, 2018 and 2017 were $61,342 and $60,226, respectively and are included on the accompanying statement of activities and changes in net assets.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available with the following restrictions as of August 31, 2018 and 2017:

	2018	2017
Program services and projects – time restricted	**$ 231,456**	$ 409,201
Joan Bornstein Scholarship Fund – purpose restricted	**79,881**	79,881
Total temporarily restricted net assets	**$ 311,337**	$ 489,082

12. Concentrations

Grant Awards

For 2018, the Organization received approximately 32% of its government grant funding from the U.S. Department of Health and Human Services - Head Start Program, and 13% from The Children's Trust. As of August 31, 2018, receivables from the U.S. Department of Health and Human Services - Head Start Program and The Children's Trust accounted for approximately 14% and 30% of the Organization's total grants and accounts receivable, respectively.

For 2017, the Organization received approximately 33% of its government grant funding from the U.S. Department of Health and Human Services - Head Start Program, and 12% from The Children's Trust. As of August 31, 2017, receivables from the U.S. Department of Health and Human Services - Head Start Program and The Children's Trust accounted for approximately 25% and 21% of the Organization's total grants and accounts receivable, respectively.

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13. Commitments and Contingencies

Leases

The property on which the Organization's building and improvements is 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 60 months and expire on various dates through 2022.

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

2019	$ 326,689
2020	319,653
2021	209,913
2022	169,991
Total	$ 1,026,246

Lease expense for the years ended August 31, 2018 and 2017 was approximately $334,000 and $223,000, respectively, and is included in occupancy on the accompanying statement 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.

14. Subsequent Events

On October 23, 2018, the Organization entered into a securities-based line of credit agreement with Raymond James Bank, N.A., The maximum borrowing availability under the line of credit is $1,000,000.

Reports Required by Government Auditing Standards, the Uniform Guidance, and the Florida Auditor General

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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 statement of financial position as of August 31, 2018, and the related statements of activities and changes in net assets, 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 February 26, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

BDO USA, LLP

Certified Public Accountants

Miami, Florida
February 26, 2019

BDO

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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 State Project

We have audited Easter Seals South Florida, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, and the requirements described in the *Department of Financial Services'* State Projects Compliance Supplement, that could have a direct and material effect on the Organization's major federal programs and state project for the year ended August 31, 2018. The Organization's major federal programs and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state project 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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. Those standards, the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General, 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 or state project occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

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 and state project for the year ended August 31, 2018.

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 each major federal programs and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and state project 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 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 or a state project 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 or a State project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or a State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 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

Miami, Florida
February 26, 2019

Certified Public Accountants

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, 2018

Federal or Grantor/Pass -Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Pass-through from Miami-Dade County				
Head Start/Early Head Start Program	93.600	RFA16	$ -	$ 3,027,553
Subtotal pass through from Miami-Dade County			-	3,027,553
Pass-through from Alliance for Aging, Inc.				
National Family Caregiver Support				
Older Americans Act (OAA) Title III, Part B	93.044	AE-1792, AE-1893	-	22,333
Pass-through from Council/City of Pembroke Pines				
Title III, Part B Support Services	93.044	JA1-16-10-2017	-	204,562
Subtotal CFDA No. 93.044			-	226,895
Pass-through from Alliance for Aging, Inc.				
National Family Caregiver Support				
Older Americans Act (OAA) Title III, Part E	93.052	AE-1792, AE-1892	-	193,826
Pass-through from Council/City of Pembroke Pines				
Title III, Part E Support Services	93.052	JA1-16-10-2017	-	83,596
Subtotal CFDA No. 93.052			-	277,422
Total U.S. Department of Health and Human Services			-	$ 3,531,870
Corporation for National and Community Service				
Pass-through from State of Florida				
Department of Elder Affairs				
AmeriCorps Program	94.006	XV117, XV118	-	$ 141,887
Total Corporation for National and Community Service			-	$ 141,887
U.S. Department of Agriculture				
Pass-Through from State of Florida				
Department of Elder Affairs				
Adult Care Food Program				
(Non-Pricing Program)	10.558	Y4013, Y3013	-	$ 165,678
Pass-Through from State of Florida				
Department of Health				
Child Care Food Program	10.558	S-3934, A-1859	-	444,220
(Non-Pricing Program)	10.558	S-3934, A-1859	-	43,751
Total U.S. Department of Agriculture			-	$ 653,649
Total Expenditures of Federal Awards			$ -	$ 4,327,406

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, 2018

State Grantor/Pass-Through Grantor/Program or Title	CSFA Number			Total Expenditures
Florida Department of Elder Affairs				
Pass-Through from Alliance of Aging Alzheimer's Disease Initiative	65.004	KZ-1792, KZ-1892	$	995,482
Subtotal Florida Department of Elder Affairs				995,482
Alzheimer's Respite Series				
Pass through from Americorps: Respite for Elders Living in Everyday Families	65.006	XV117, XV118		58,192
Subtotal Alzheimer's Respite Series				58,192
Total Expenditures of State Financial Assistance			$	1,053,674

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

Easter Seals South Florida, Inc.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended August 31, 2018

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, 2018. 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, 2018.

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

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?		Yes	x	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
10.558	Adult Food Care Program/Child Food Care 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:

Type A and Type B programs				
Federal programs				$750,000
State projects				$300,000
Auditee qualified as a low risk auditee?	x	Yes		No

Section II - Financial Statement Findings

There were no deficiencies that were required to be reported.

Section II - Federal Award and State Project Findings and Questioned Costs

There were no findings identified that were required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.650, Rules of the Florida Auditor General during the year ended August 31, 2018.