



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, 2017

With Summarized Comparative Information
For the Year Ended August 31, 2016

Easter Seals South Florida, Inc.

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

100 SE 2ND Street
Miami Tower - 17th Floor
Miami, FL 33131

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, 2017 and 2016, 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, 2017, 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 15, 2018, 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 2016 financial statements, and expressed an unmodified audit opinion on those financial statements in our report dated February 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respect, with our audited financial statement from which it has been derived.

Miami, Florida
February 15, 2018

BDO USA, LLP

Certified Public Accountants

Financial Statements

Easter Seals South Florida, Inc.

Statements of Financial Position

<i>August 31,</i>	2017	2016
Assets		
Cash and cash equivalents	\$ 844,194	\$ 526,884
Grants and accounts receivable, net	1,436,621	1,223,214
Contributions receivable, net	403,122	480,182
Prepaid expenses	33,523	38,850
Investments	6,935,766	6,667,908
Property and equipment, net	2,781,025	2,679,443
Other assets	13,154	18,727
Total assets	\$ 12,447,405	\$ 11,635,208
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 991,055	\$ 1,076,612
Refundable advances	767,994	34,617
Obligations under capital leases	13,080	21,338
Deferred compensation	-	53,162
Total liabilities	1,772,129	1,185,729
Net assets		
Unrestricted	10,186,194	9,883,338
Temporarily restricted	489,082	566,141
Total net assets	10,675,276	10,449,479
Total liabilities and net assets	\$ 12,447,405	\$ 11,635,208

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, 2017
(With Summarized Comparative Information for the Year Ended August 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Public Support, Revenue and Gains				
Contributions	\$ 530,316	\$ 503,376	\$ 1,033,692	\$ 1,211,889
Special events, net of direct costs of \$72,707 for 2017 and \$39,405 for 2016	65,512	-	65,512	113,469
Government grants and contracts	9,072,699	-	9,072,699	8,482,706
Program service fee	1,960,539	-	1,960,539	2,154,112
Investment income, net	91,905	-	91,905	109,740
Net realized and unrealized gains on investments	266,174	-	266,174	170,456
Distributions received from investments in partnerships	264,708	-	264,708	264,708
In-kind contributions	526,461	-	526,461	402,141
Other income	12,067	-	12,067	39,897
Net assets released from restrictions	580,435	(580,435)	-	-
Total public support, revenue and gains	13,370,816	(77,059)	13,293,757	12,949,118
Expenses				
Functional expenses:				
Program services	11,978,792	-	11,978,792	11,821,330
Supporting activities:				
Management and general	599,030	-	599,030	667,769
Fundraising activities	429,912	-	429,912	376,875
Total functional expenses	13,007,734	-	13,007,734	12,865,974
Membership fees to affiliated organization	60,226	-	60,226	58,734
Total expenses	13,067,960	-	13,067,960	12,924,708
Changes in net assets	302,856	(77,059)	225,797	24,410
Net assets, beginning of year	9,883,338	566,141	10,449,479	10,425,069
Net assets, end of year	\$ 10,186,194	\$ 489,082	\$ 10,675,276	\$ 10,449,479

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, 2017
(With Summarized Comparative Information for the Year Ended August 31, 2016)

	2017						2016				
	Program Services					Total Program Services	Supporting Activities			Total	Total
	Early Childhood	Educational Services	Vocational Services	Adult and Senior Care Services	Head Start		Fundraising	Management and General	Total Supporting Services		
Salaries and benefits:											
Salaries and wages	\$ 656,771	\$ 1,478,062	\$ -	\$ 2,427,883	\$ 2,726,058	\$ 7,288,774	\$ 256,979	\$ 321,451	\$ 578,430	\$ 7,867,204	\$ 7,796,498
Payroll taxes and employee benefits	113,430	229,400	-	459,982	571,986	1,374,798	38,523	70,745	109,268	1,484,066	1,402,620
Total salaries and benefits	770,201	1,707,462	-	2,887,865	3,298,044	8,663,572	295,502	392,196	687,698	9,351,270	9,199,118
Other expenses:											
Contracted services	120,940	12,880	5,950	64,681	24,080	228,531	20	8,683	8,703	237,234	396,831
Professional fees	12,484	29,563	-	53,883	51,909	147,839	10,936	49,169	60,105	207,944	220,735
Program supplies and expenses	34,996	148,883	863	510,470	392,326	1,087,538	2,136	1,237	3,373	1,090,911	987,332
Occupancy	70,885	125,078	-	328,335	64,015	588,313	6,634	53,860	60,494	648,807	563,674
Travel and transportation	6,289	38,118	-	48,280	8,956	101,643	52	7,887	7,939	109,582	114,352
Insurance	41,437	48,193	-	79,142	59,268	228,040	7,042	16,054	23,096	251,136	239,029
Staff training and development	8,611	32,011	-	18,300	24,620	83,542	3,878	12,157	16,035	99,577	99,403
Office supplies	9,675	19,531	-	27,633	49,871	106,710	7,080	41,298	48,378	155,088	144,451
Bad debt expense	-	-	-	-	-	-	45,453	-	45,453	45,453	204,261
Depreciation	64,269	62,439	-	75,019	-	201,727	3,760	9,407	13,167	214,894	216,082
In-kind contributions expense	-	130,100	-	-	396,361	526,461	-	-	-	526,461	402,141
Interest, penalties, assessments, and other	3,469	3,469	-	6,938	-	13,876	7,803	3,800	11,603	25,479	27,617
Marketing and promotion	1,000	-	-	-	-	1,000	39,616	3,282	42,898	43,898	50,948
Total other expenses	374,055	650,265	6,813	1,212,681	1,071,406	3,315,220	134,410	206,834	341,244	3,656,464	3,666,856
Total expenses	\$ 1,144,256	\$ 2,357,727	\$ 6,813	\$ 4,100,546	\$ 4,369,450	\$ 11,978,792	\$ 429,912	\$ 599,030	\$ 1,028,942	\$ 13,007,734	\$ 12,865,974

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

Easter Seals South Florida, Inc.

Statements of Cash Flows

<i>For the years ended August 31,</i>	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ 225,797	\$ 24,410
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(266,174)	(170,456)
Depreciation	214,894	216,082
Change in allowance for doubtful accounts	(13,104)	(49,924)
Changes in operating assets and liabilities:		
Grants and accounts receivables	(234,332)	278,890
Contributions receivable, net	111,089	(113,468)
Prepaid expenses	5,327	12,207
Other assets	5,573	(13,952)
Accounts payable and accrued expenses	(85,557)	287,564
Refundable advances	733,377	(76,792)
Deferred compensation	(53,162)	(44,411)
Net cash provided by operating activities	643,728	350,150
Cash flows from investing activities:		
Net (purchases) proceeds of investments	(1,684)	8,666
Purchase of property and equipment	(316,476)	(228,884)
Net cash used in investing activities	(318,160)	(220,218)
Cash flows from financing activities:		
Repayments of obligations under capital leases	(8,258)	(7,724)
Net cash used in financing activities	(8,258)	(7,724)
Net increase in cash and cash equivalents	317,310	122,208
Cash and cash equivalents, beginning of year	526,884	404,676
Cash and cash equivalents, end of year	\$ 844,194	\$ 526,884

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

Easter Seals South Florida, Inc.

Notes to 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 United States generally accepted accounting principles. 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, 2017 and 2016, 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.

Easter Seals South Florida, Inc.

Notes to Financial Statements

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, 2017 and 2016 was \$109,075 and \$130,000, 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, 2017 and 2016 was \$77,780 and \$43,750, 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 interests 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.

Easter Seals South Florida, Inc.

Notes to Financial Statements

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 \$1,500, 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, 2017 and 2016.

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.

Easter Seals South Florida, Inc.

Notes to Financial Statements

Donated Non-Cash Assets

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2016, 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 2014.

Easter Seals South Florida, Inc.

Notes to Financial Statements

Subsequent Events

The Organization's management has evaluated subsequent events through February 15, 2018, 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 interests in certain partnerships ranging from a 2.5% to 14.7% interest. The Organization recorded the bequest of these equity interests at their 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, 2017 and 2016 and distributions received from investments in partnerships are reflected in the accompanying statement of activities and changes in net assets. As of August 31, 2017 and 2016, the value of the investments in partnerships was \$2,709,657.

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.

Easter Seals South Florida, Inc.

Notes to Financial Statements

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	\$ -	\$ -

Description	Fair Value 8/31/16	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Stocks	\$ 1,981,606	\$ 1,981,606	\$ -	\$ -
Closed-end mutual funds	9,863	9,863	-	-
Corporate bonds	1,871,355	1,871,355	-	-
Real estate - REITs	95,427	95,427	-	-
Total	\$ 3,958,251	\$ 3,958,251	\$ -	\$ -

4. Contributions Receivable, Net

Contributions receivable as of August 31, 2017 and 2016 amounted to \$486,980 and \$530,010, respectively, before net present value discounts. Contributions receivable utilizing discount rates of 1.0% consist of:

	2017	2016
Receivables due in less than one year	\$ 440,246	\$ 493,343
Receivables due greater than one year	46,734	36,667
Less: discounts to net present value	(6,078)	(6,078)
Less: allowance for doubtful accounts	(77,780)	(43,750)
Total	\$ 403,122	\$ 480,182

5. Investments

Investments at August 31, 2017 and 2016 are summarized as follows:

	2017	2016
Closed-end mutual funds	\$ 9,170	\$ 9,863
Stocks	2,264,938	1,981,606
Corporate bonds	1,861,436	1,871,355
Real estate - REITs	90,565	95,427
Investments in partnerships	2,709,657	2,709,657
Total	\$ 6,935,766	\$ 6,667,908

Easter Seals South Florida, Inc.

Notes to Financial Statements

The Organization has equity interests in certain partnerships ranging from a 2.5% to 14.7% interest (see Note 2 - Bequests). The Organization recorded the bequest of these equity interests at their estimated fair value, at the time of donation, based on an independent appraisal. Under the cost basis of accounting, 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 \$11,792 and \$10,543 for the years ended August 31, 2017 and 2016, respectively.

6. Property and Equipment, Net

Property and equipment, net, at August 31, 2017 and 2016 consisted of the following:

	2017	2016
Land	\$ 679,948	\$ 679,948
Building and building improvements	5,324,265	5,231,386
Furniture and equipment	603,767	542,548
Therapeutic pool	134,869	134,869
Vehicles	255,528	255,528
Software	110,014	95,502
Leasehold improvements	147,866	-
Total property and equipment	7,256,257	6,939,781
Accumulated depreciation	(4,475,232)	(4,260,338)
Property and equipment, net	\$ 2,781,025	\$ 2,679,443

Depreciation expense for the years ended August 31, 2017 and 2016 was \$214,894 and \$216,082, 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:

	2017	2016
Equipment under capital lease	\$ 39,994	\$ 39,994
Accumulated depreciation	(28,325)	(20,326)
Equipment under capital lease, net	\$ 11,669	\$ 19,668

Easter Seals South Florida, Inc.

Notes to Financial Statements

The present values of future minimum payments at August 31, 2017 under these leases is as follows:

2018	\$ 9,439
2019	4,325
Total minimum lease payments	13,764
Less: amounts representing interest	(684)
<hr/>	
Total obligation under capital leases	\$ 13,080

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, 2017 and 2016.

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 \$3,039 and \$5,581 for the years ended August 31, 2017 and 2016, respectively. Annuities, net of interest cost, under the plan amounted to \$0 and \$53,162 as of August 31, 2017 and 2016, respectively. 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, 2017 and 2016 were \$60,226 and \$58,724, respectively and are included on the accompanying statement of activities and changes in net assets.

Easter Seals South Florida, Inc.

Notes to Financial Statements

11. Temporarily Restricted Net Assets

Temporarily restricted net assets are available with the following restrictions as of August 31, 2017 and 2016:

	2017	2016
Program services and projects - time restricted	\$ 409,201	\$ 486,260
Joan Bornstein Scholarship Fund - purpose restricted	79,881	79,881
Total temporarily restricted net assets	\$ 489,082	\$ 566,141

12. Concentrations

Grant Awards

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.

For 2016, the Organization received approximately 36% 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, 2016, receivables from the U.S. Department of Health and Human Services - Head Start Program and The Children's Trust accounted for approximately 25% and 24% of the Organization's total grants and accounts receivable, respectively.

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:

2018	\$ 333,875
2019	308,285
2020	302,349
2021	198,377
2022	169,991
Total	\$1,312,875

Easter Seals South Florida, Inc.

Notes to Financial Statements

Lease expense for the years ended August 31, 2017 and 2016 was approximately \$223,000 and \$215,000, respectively, and is included in occupancy on the accompanying statement of functional expenses.

Litigation

The Organization is party to various claims and legal actions arising in the ordinary course of conducting activities. Management does not believe that the outcome of such claims and legal actions will have a material adverse effect on the financial position or results of operations of the Organization.

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.

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



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

100 SE 2ND Street
Miami Tower - 17th Floor
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 statement of financial position as of August 31, 2017, 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 15, 2018.

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.

Miami, Florida
February 15, 2018

BDO USA, LLP

Certified Public Accountants



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, 2017. 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, 2017.

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.

Miami, Florida
February 15, 2018

BDO USA, LLP

Certified Public Accountants

Easter Seals South Florida, Inc.
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2017

Federal or Grantor/Pass -Through/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Pass-through from Miami-Dade County				
Head Start/Early Head Start Program	93.600	RFA16	\$ -	\$ 2,988,941
Subtotal pass through from Miami-Dade County			-	2,988,941
Pass-through from Alliance for Aging, Inc.				
National Family Caregiver Support				
Older Americans Act (OAA) Title III, Part B	93.044	AE-1592, AE-1492	-	26,652
Pass-through from Council/City of Pembroke Pines				
Title III, Part B Support Services	93.044	JA1-16-10-2016	-	225,434
Subtotal CFDA No. 93.044			-	252,086
Pass-through from Alliance for Aging, Inc.				
National Family Caregiver Support				
Older Americans Act (OAA) Title III, Part E	93.052	AE-1592, AE-1492	-	310,968
Pass-through from Council/City of Pembroke Pines				
Title III, Part E Support Services	93.052	JA1-16-10-2016	-	62,724
Subtotal CFDA No. 93.052			-	373,692
Total U.S. Department of Health and Human Services			\$ -	\$ 3,614,719
<u>Corporation for National and Community Service</u>				
Pass-through from State of Florida				
Department of Elder Affairs				
AmeriCorps Program	94.006	XV114, XV113	\$ -	\$ 157,796
Total Corporation for National and Community Service			\$ -	\$ 157,796
<u>U.S. Department of Agriculture</u>				
Pass-Through from State of Florida				
Department of Elder Affairs				
Adult Care Food Program				
(Non-Pricing Program)	10.558	Y4013, Y3013	\$ -	\$ 163,954
Pass-Through from State of Florida				
Department of Health				
Child Care Food Program	10.558	S-3934, A-1859	-	433,893
(Non-Pricing Program)	10.558	S-3934, A-1859	-	42,700
Total U.S. Department of Agriculture			\$ -	\$ 640,547
Total Expenditures of Federal Awards			\$ -	\$ 4,413,062

See accompanying notes to Schedules of Expenditures.

Easter Seals South Florida, Inc.
 Schedule of Expenditures of State Financial Assistance
 Year Ended August 31, 2017

State Grantor/Pass-Through Grantor/Program or Title	CSFA Number	Pass-Through Entity Identifying Number	Total Expenditures
<u>Florida Department of Elder Affairs</u>			
Pass-Through from Alliance of Aging Alzheimer's Disease Initiative	65.004	KZ-1592, KZ-1692	\$ 998,922
Subtotal Florida Department of Elder Affairs			998,922
<u>Alzheimer's Respite Series</u>			
Pass through from Americorps: Respite for Elders Living in Everyday Families	65.006	XV114, XV113	63,120
Subtotal Alzheimer's Respite Series			63,120
Total Expenditures of State Financial Assistance			\$ 1,062,042

See accompanying notes to Schedules of Expenditures.

**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, 2017

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, 2017. 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, 2017.

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.

Easter Seals South Florida, Inc.
Schedule of Findings and Questioned Costs
Year Ended August 31, 2017

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

93.052

Older Americans Act Title III, Part E

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