



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

AND

SINGLE AUDIT REPORTS

YEAR ENDED AUGUST 31, 2019

**EASTERSEALS OREGON
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Easterseals Oregon
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Easterseals Oregon (a nonprofit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, 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.

Auditors' 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 upon the auditors' 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 Easterseals Oregon as of August 31, 2019, 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 Matters

Report on Summarized Comparative Information

We have previously audited Easterseals Oregon’s 2018 financial statements, and our report dated December 3, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 17, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019, on our consideration of Easterseals Oregon’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Easterseals Oregon’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easterseals Oregon’s internal control over financial reporting and compliance.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, Easterseals Oregon adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Bellevue, Washington
December 16, 2019

EASTERSEALS OREGON
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 586,352	\$ 982,800
Investments In Common Stock	-	14,427
Accounts Receivable - Net of Allowance for Doubtful Accounts of \$270 in 2019 and \$870 in 2018	5,761	56,730
Program Grants and Contracts Receivable	691,083	519,675
Prepaid Expenses and Deposits	84,971	37,480
Beneficial Interest in Perpetual Trusts	129,138	135,734
Beneficial Interest in Charitable Remainder Unitrust	125,446	129,704
Investments In Land	37,897	37,897
Property and Equipment - Net of Accumulated Depreciation of \$123,182 in 2019 and \$121,660 in 2018	2,411	3,933
	<u>\$ 1,663,059</u>	<u>\$ 1,918,380</u>
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 75,320	\$ 124,056
Accrued Payroll and Related Expenses	352,410	297,376
Accrued Severance Liability	187,050	192,501
Total Liabilities	<u>614,780</u>	<u>613,933</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Net Assets Without Donor Restrictions - Undesignated	716,128	959,446
Net Assets With Donor Restrictions:		
Net Assets With Donor Restrictions - Use and Time	203,013	209,267
Net Assets With Donor Restrictions - Held in Perpetuity	129,138	135,734
Total Net Assets With Donor Restrictions	<u>332,151</u>	<u>345,001</u>
Total Net Assets	<u>1,048,279</u>	<u>1,304,447</u>
Total Liabilities and Net Assets	<u>\$ 1,663,059</u>	<u>\$ 1,918,380</u>

See accompanying Notes to Financial Statements.

**EASTERSEALS OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Net Assets	Net Assets	Total	
	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions and Grants	\$ 81,453	\$ 50,438	\$ 131,891	\$ 115,364
In-Kind Contributions	260,090	-	260,090	263,068
Special Event Revenues	132,278	-	132,278	115,242
Less: Cost of Direct Benefits to Donors	(77,674)	-	(77,674)	(71,394)
Net Proceeds from Special Events	54,604	-	54,604	43,848
Program Service Fees and Contracts	7,039,818	-	7,039,818	6,980,189
Investment Income	7,594	-	7,594	7,028
Royalties	8,492	-	8,492	3,751
Net Increase in Fair Value of Investments	-	-	-	5,205
Change in the Carrying Value of Interest in Charitable Trusts	-	(10,854)	(10,854)	(22,458)
Other	32,900	-	32,900	37,194
Net Assets Released from Restrictions	52,434	(52,434)	-	-
Total Revenues, Gains, and Other Support	7,537,385	(12,850)	7,524,535	7,433,189
EXPENSES				
Program Services	6,707,390	-	6,707,390	6,566,664
Supporting Services:				
Management and General	872,138	-	872,138	915,728
Fundraising	201,175	-	201,175	78,319
Total Supporting Services	1,073,313	-	1,073,313	994,047
Total Expenses	7,780,703	-	7,780,703	7,560,711
CHANGE IN NET ASSETS	(243,318)	(12,850)	(256,168)	(127,522)
Net Assets - Beginning of Year	959,446	345,001	1,304,447	1,431,969
NET ASSETS - END OF YEAR	<u>\$ 716,128</u>	<u>\$ 332,151</u>	<u>\$ 1,048,279</u>	<u>\$ 1,304,447</u>

See accompanying Notes to Financial Statements.

**EASTERSEALS OREGON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Program Services			Supporting Services			Total	
	Employment, Job Training, and Veteran Services	Camping, Recreation, and Respite	Total	Management and General	Fundraising	Total	2019	2018
SALARIES AND RELATED EXPENSES	\$ 2,169,136	\$ 5,270	\$ 2,174,406	\$ 594,532	\$ 129,498	\$ 724,030	\$ 2,898,436	\$ 2,651,183
OTHER EXPENSES								
Scholarship Awards	-	6,695	6,695	-	-	-	6,695	11,620
Professional Fees	48,957	24,253	73,210	69,463	12,967	82,430	155,640	226,314
Supplies	155,966	1,372	157,338	12,727	71,046	83,773	241,111	198,763
Telecommunications	44,089	203	44,292	10,688	3,747	14,435	58,727	50,182
Occupancy	191,629	1,355	192,984	49,850	22,314	72,164	265,148	249,741
Equipment Rental and Maintenance	11,412	-	11,412	12,185	2,584	14,769	26,181	18,341
Interest	-	-	-	155	-	155	155	-
Printing and Publications	9,675	96	9,771	2,398	6,975	9,373	19,144	14,176
Travel and Transportation	87,758	-	87,758	15,045	9,531	24,576	112,334	99,594
Conferences, Conventions and Meetings	35,020	196	35,216	21,975	10,184	32,159	67,375	63,879
Specific Assistance to Individuals	3,876,369	-	3,876,369	-	-	-	3,876,369	3,906,623
Advertising	5,379	-	5,379	919	1,049	1,968	7,347	21,024
Membership Dues	5,888	-	5,888	4,552	3,096	7,648	13,536	10,595
Uncollectible Receivables	-	-	-	7,303	-	7,303	7,303	6,370
Insurance	19,608	-	19,608	16,535	3,126	19,661	39,269	33,142
Depreciation	-	-	-	1,522	-	1,522	1,522	6,613
Postage, Shipping, and Miscellaneous	6,934	130	7,064	2,851	2,732	5,583	12,647	19,332
Total Other Expenses Before Payments to National Organization	6,667,820	39,570	6,707,390	822,700	278,849	1,101,549	7,808,939	7,587,492
Payments to National Organization	-	-	-	49,438	-	49,438	49,438	44,613
Total Other Expenses After Payments to National Organization	6,667,820	39,570	6,707,390	872,138	278,849	1,150,987	7,858,377	7,632,105
Less: Cost of Direct Benefits to Donors	-	-	-	-	(77,674)	(77,674)	(77,674)	(71,394)
Total Expenses	<u>\$ 6,667,820</u>	<u>\$ 39,570</u>	<u>\$ 6,707,390</u>	<u>\$ 872,138</u>	<u>\$ 201,175</u>	<u>\$ 1,073,313</u>	<u>\$ 7,780,703</u>	<u>\$ 7,560,711</u>

See accompanying Notes to Financial Statements.

**EASTERSEALS OREGON
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (256,168)	\$ (127,522)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Donated Common Stock	14,427	-
Depreciation	1,522	6,613
Net Increase in Fair Value of Investments	-	(5,205)
Change in Value of Interest in Charitable Trusts	10,854	22,458
(Increase) Decrease in:		
Accounts Receivable	50,969	(38,627)
Program Grants and Contracts Receivable	(171,408)	146,133
Prepaid Expenses and Deposits	(47,491)	14,599
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(48,736)	38,196
Accrued Payroll and Related Expenses	55,034	66,975
Accrued Severance Liability	(5,451)	64,167
Net Adjustments	(140,280)	315,309
Net Cash Provided (Used) by Operating Activities	(396,448)	187,787
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(396,448)	187,787
Cash and Cash Equivalents - Beginning of Year	982,800	795,013
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 586,352	\$ 982,800

See accompanying Notes to Financial Statements.

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 NATURE OF THE ORGANIZATION

Easterseals Oregon is a private, nonprofit organization founded in 1947 to provide and coordinate direct services and education to help people with disabilities achieve maximum independence. Easterseals Oregon is affiliated with Easter Seals, Inc., the national organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Easterseals Oregon and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions –

Time and Purpose – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Easterseals Oregon or the passage of time.

Endowment – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Easterseals Oregon.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include the allowance for uncollectible accounts, the useful lives of property and equipment, and the valuation of investment in land and interest in charitable trusts.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Long-Lived Assets

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of net asset class without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the net asset class with donor restrictions – use and time. The restrictions are considered to be released at the time of acquisition of long-lived assets.

In-Kind Contributions

Easterseals Oregon reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. During the years ended August 31, 2019 and 2018, Easterseals Oregon recorded \$260,090 and \$263,068, respectively, in contributed services, consisting primarily of program supervision services for the Senior Community Service Employment Program.

Easterseals Oregon regularly receives contributed services from a large number of volunteers who assist in program activities, fundraising, and other efforts through their participation in a range of events and by working with members of Easterseals Oregon's staff in a variety of capacities. Easterseals Oregon considers it not practical to estimate the value of such services, and no amount has been recognized in the accompanying financial statements.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of Easterseals Oregon's activities. During the years ended August 31, 2019 and 2018, Easterseals Oregon received no in-kind donations of operating supplies.

Cash Equivalents

For purposes of the financial statements, Easterseals Oregon considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments

Investments in common stock are carried at fair value. Net appreciation in the fair value of these investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Interest income is accrued as earned.

Easterseals Oregon also holds 320 acres of land located in Montana and two tax lots in Clackamas County, Oregon. These investments are reported at estimated fair value on the dates of donation. Management analyzes the property on an annual basis for impairment and determined there were no impairments at August 31, 2019 and 2018.

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Program grants and contracts receivable consist primarily of government contracts receivable. Typically no allowance is recorded for receivables associated with government contracts. Accounts receivable represent amounts from other parties. An allowance of \$270 and \$870 was recorded at August 31, 2019 and 2018, respectively.

Fixed Assets and Depreciation

Property and equipment are carried at cost, and at market value as of the date of donation when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 30 years for buildings, 10 years or the length of the lease term, if less, for leasehold improvements, and 3 to 5 years for furniture, equipment and vehicles. Easterseals Oregon applies a \$5,000 general capitalization limit.

Revenue Recognition

All contributions and grants are considered available for the general operations of Easterseals Oregon unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time Easterseals Oregon has an established right to the bequest and the proceeds are measurable. Restricted contributions received and spent within the same fiscal year are treated as contributions without restrictions in the statement of activities.

Benefits Provided to Donors at Special Events

Easterseals Oregon conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to Easterseals Oregon.

Advertising Expense

Advertising costs are charged to expense as they are incurred and totaled \$7,347 and \$21,024 for the years ended August 31, 2019 and 2018, respectively.

Income Taxes

Easterseals Oregon is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. Accordingly, no provision for income taxes is included in the accompanying financial statements.

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

U.S. GAAP prescribes a recognition threshold and a measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes Easterseals Oregon does not have any uncertain tax positions. Any interest or penalties associated with Easterseals Oregon's tax positions would be recorded as a component of management and general expense. Easterseals Oregon annually files an informational return with the Internal Revenue Service and the state of Oregon. Generally, the returns are subject to examination by income tax authorities for three years from the filing of the return. There are currently no tax examinations in progress for any periods.

Concentration of Credit Risk

Easterseals Oregon's financial instruments consist primarily of cash equivalents and equity securities. These financial instruments may subject Easterseals Oregon to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC); and investments are subject to changes in market values. As of August 31, 2019 and 2018, there were cash and cash equivalents deposits in excess of the FDIC limit.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of Easterseals Oregon have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by natural classification are presented in the statement of functional expense.

Summarized Financial Information for 2018

The accompanying financial statements include certain prior-year summarized comparative information. 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 Easterseals Oregon's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

New Accounting Pronouncements – ASU 2016-14

During the year ended August 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and disclosures within the financial statements. The adoption of this accounting standard was retrospectively applied and did not have an impact on Easterseals Oregon's financial position or changes in its net assets.

**EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through December 16, 2019, the date the financial statements were available for issue.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

NOTE 3 PROGRAM SERVICES

Children and adults with disabilities and special needs who come to Easterseals Oregon find high quality services designed to meet their individual needs. Teams of human services professionals help each person overcome obstacles to independence and reach his or her personal goals. The services provided by Easterseals Oregon also include families as active members of the programs, and offer the support families need.

Employment, Job Training, and Veteran Services

Easterseals Oregon provides employment services to Oregonians with disabilities and other barriers to learn skills to successfully enter or return to the working force. Services include job placement and development, training, and language assistance to people seeking employment.

The Senior Community Service Employment Program is a job training and placement program that matches quality mature workers with employers who value what they have to offer. Seniors who are 55 and older are placed in a wide variety of community service activities at nonprofit and public facilities, including day care centers, senior centers, schools, and hospitals. This program serves people living in Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Polk, Multnomah, Tillamook, Washington, and Yamhill counties. Funding for this program is received through a grant awarded to Easter Seals National by the U.S. Department of Labor.

The Connecting Communities Program (formally known as Latino Connection), funded through the state of Oregon's Department of Vocational Rehabilitation, is dedicated to creating employment opportunities for Latino individuals with disabilities who use English as a second language and Latino individuals with physical, psychological, or ongoing medical conditions that interfere with their ability to work. Referrals come through partnerships with vocational rehabilitation counselors and local employers through Portland, Salem, Eugene, Woodburn, Hillsboro, Gresham, and the surrounding areas.

**EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 3 PROGRAM SERVICES (CONTINUED)

Employment, Job Training, and Veteran Services (Continued)

The Homeless Veterans Reintegration Program grants, awarded by the U.S. Department of Labor, provide services to assist homeless veterans reintegrate into the community and into meaningful employment. This service stimulates the service delivery systems that address the complex problems facing homeless veterans in Multnomah, Clackamas, Washington, Jackson, and Josephine counties as well as Marion and Polk counties.

The Supportive Services for Veteran Families (SSVF) grant, awarded by the U.S. Department of Veterans Affairs, is administered by Easterseals Oregon. The program provides supportive services for low or very low-income veteran families residing in or transitioning to permanent housing. These services are designed to increase the housing stability of veteran families that are at-risk of or are experiencing homelessness in Marion and Polk counties.

Camping, Recreation, and Respite

Easterseals Oregon camping programs provide a safe, barrier-free environment for children and adults to experience all aspects of residential camp without the usual limitations. Participants make friends, learn about and explore nature, sing songs around the campfire, gain confidence, and create memories that linger long after the camp fires have died down. This experience, coupled with dedicated staff and specially trained volunteers who help meet the unique needs of our campers, makes for a memorable time for our campers and a respite for their caregivers.

NOTE 4 PROGRAM GRANTS AND CONTRACTS RECEIVABLE

Program grants and contracts receivable are due within one year and summarized as follows as of August 31:

	2019	2018
Senior Community Service Employment Program	\$ 328,446	\$ 387,166
Homeless Veterans' Reintegration Program	104,422	47,507
Supportive Services for Veteran Families	40,600	75,863
Connecting Communities	209,378	9,139
City of Portland Grant	8,237	-
Total	<u>\$ 691,083</u>	<u>\$ 519,675</u>

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 5 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Easterseals Oregon is the beneficiary of two perpetual trusts. The trusts had a carrying value of \$129,138 and \$135,734 at August 31, 2019 and 2018, respectively. Easterseals Oregon has a 100% interest in the first trust, inuring to Easterseals Oregon and paid at the rate of approximately \$6,000 annually. Easterseals Oregon has a 2.1053% interest in the second trust, inuring to Easterseals Oregon. The carrying value of these investments represents the fair value of assets held in the trusts multiplied by Easterseals Oregon's percentage interest. During the years ended August 31, 2019 and 2018, Easterseals Oregon received \$6,000 and \$6,049, respectively, in distributions from these trusts. Distributions have been classified in the accompanying financial statements as investment income.

NOTE 6 BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

Easterseals Oregon has been named beneficiary of an irrevocable charitable remainder unitrust. The income beneficiary of the trust receives a percentage each year of the net fair market value of the assets of the trust, valued annually. Upon the death of the beneficiary, Easterseals Oregon will receive all of the remaining assets of the trust. Easterseals Oregon's beneficial interest has been calculated based on the fair value of assets held in the trust less an estimated liability to the income beneficiary (using a discount rate of 8.78%), as follows:

	2019	2018
Investments Held by Trustee	\$ 142,199	\$ 152,459
Liability Under Unitrust Agreement	(16,753)	(22,755)
Total	\$ 125,446	\$ 129,704

NOTE 7 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Easterseals Oregon's net assets at August 31, 2019 and 2018 are restricted as follows:

Net Assets with Donor Restrictions - Purpose and Time

Net assets with donor restrictions – purpose and time consist of the following at August 31:

	2019	2018
Program Services:		
Zetosch Fund (for Client Assistance)	\$ 51,828	\$ 51,827
Residential Camp Scholarships	13,683	12,402
Veterans Programs	5,812	5,334
Senior Programs	6,244	10,000
Future Periods:		
Charitable Remainder Unitrust	125,446	129,704
Total	\$ 203,013	\$ 209,267

**EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 7 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (CONTINUED)

Net Assets with Donor Restrictions - Purpose and Time

During the years ended August 31, 2019 and 2018, net assets of \$52,434 and \$16,916, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

Net Assets with Donor Restrictions - Held in Perpetuity

Net assets with donor restrictions - held in perpetuity net assets consist of the following at August 31:

	2019	2018
Interest in Perpetual Trusts	\$ 129,138	\$ 135,734

NOTE 8 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities readily accessible at the reporting date.

Level 2 – Pricing inputs are observable for the assets or liabilities, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1.

Level 3 – Pricing inputs are unobservable for the assets or liabilities and may include significant management judgment or estimation.

Easterseals Oregon's assets measured at fair value on a recurring basis along with how fair value was determined at August 31, 2019 are as follows:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Beneficial Interest in Perpetual Trusts	\$ -	\$ -	\$ 129,138	\$ 129,138
Beneficial Interest in Charitable Remainder Unitrust	-	-	125,446	125,446
Total	\$ -	\$ -	\$ 254,584	\$ 254,584

**EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

NOTE 8 FAIR VALUE MEASUREMENTS (CONTINUED)

Common stock is valued using quoted market prices. The beneficial interest in perpetual trusts is valued at the present value of the estimated cash flows that will be received in the future. The beneficial interest in charitable remainder unitrust is valued at the fair value of the assets in the unitrust less the present value of the estimated future payments to be made to the beneficiary.

The following table sets forth a summary of changes in the fair value of Easterseals Oregon's Level 3 assets at August 31:

	Beneficial Interest in Perpetual Trust	Beneficial Interest in Charitable Remainder Unitrust
Balance - August 31, 2017	\$ 139,472	\$ 148,424
Change in Value of Beneficial Interest in Trust	(3,738)	(18,720)
Balance - August 31, 2018	135,734	129,704
Change in Value of Beneficial Interest in Trust	(6,596)	(4,258)
Balance - August 31, 2019	<u>\$ 129,138</u>	<u>\$ 125,446</u>

NOTE 9 RETIREMENT PLAN

Easterseals Oregon maintains a section 401(k) defined contribution plan (the Plan) for its eligible employees. The Plan is a contributory plan subject to maximum limitations set forth by the IRS. Employees may elect to make voluntary contributions to the Plan on a pre-tax basis. An eligible employee is one who has at least 90 days of eligible service and has reached the age of twenty and a half. Benefits under the Plan are provided through a group annuity contract established with an insurance company. No employer contributions were made to the Plan for the years ended August 31, 2019 and 2018.

NOTE 10 CONTINGENCIES

Amounts received or receivable under governmental grants and contracts are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of Easterseals Oregon's unrestricted net assets. In the opinion of Easterseals Oregon's management, any adjustments that might result from such audits would not be material to Easterseals Oregon's overall financial statements.

Easterseals Oregon is occasionally party to lawsuits and claims arising out of the conduct of its business. Easterseals Oregon's management is of the opinion that the outcome of these matters will not have a material effect on the financial statements.

EASTERSEALS OREGON
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 11 COMMITMENTS

Easterseals Oregon leases facilities, vehicles, and certain office equipment under various operating leases that expire through the year ending August 31, 2022. Rent expense totaled \$241,706 and \$221,826 for the years ended August 31, 2019 and 2018, respectively.

At August 31, 2019, the approximate minimum lease commitments for operating leases with initial or remaining lease terms in excess of one year are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 95,447
2021	46,619
2022	6,000
Total	<u>\$ 148,066</u>

During the year ended August 31, 2016, Easterseals Oregon entered into a three-year employment agreement with its president. The agreement provides for a severance program for the president (subject to certain conditions). The total estimated amount of severance to be paid at the end of the term is \$237,050. As of August 31, 2019, \$50,000 has been paid. The remaining \$187,050 has been accrued on the statement of financial position, representing 100% of the severance amount due.

NOTE 12 SIGNIFICANT SOURCES OF REVENUE AND RECEIVABLES

During the years ended August 31, 2019 and 2018, approximately 80% and 84%, respectively, of Easterseals Oregon's program service fees (approximately 75% and 78%, respectively, of total operating revenues) were earned under contracts and awards originating from two sources. As of August 31, 2019 and 2018, approximately 47% and 75%, respectively, of Easterseals Oregon's program grants and contracts receivable (approximately 47% and 67%, respectively, of total accounts receivable), was receivable from one source.

NOTE 13 LIQUIDITY

As of August 31, 2019 and 2018, Easterseals Oregon had the following financial assets available for general expenditure within one year of the statements of financial position.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 508,785	\$ 903,237
Investments	-	14,427
Receivables	696,844	576,405
Total	<u>\$ 1,205,629</u>	<u>\$ 1,496,087</u>

**EASTERSEALS OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Labor				
Direct Program:				
Homeless Veterans' Reintegration Program	17.805	N/A	\$ -	\$ 928,819
Pass-Through Program from Easter Seals, Inc.:				
Senior Community Service Employment Program	17.235	SCSEP-PY17-ESOR/ SCSEP-PY18-ESOR	-	4,235,473
Total U.S. Department of Labor			-	5,164,292
U.S. Department of Veterans Affairs				
Direct Program:				
Supportive Services for Veteran Families Program	64.033	N/A	147,594	452,119
Total U.S. Department of Veterans Affairs			147,594	452,119
Total Expenditures of Federal Awards			\$ 147,594	\$ 5,616,411

See accompanying Note to Schedule of Expenditures of Federal Awards.

EASTERSEALS OREGON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AUGUST 31, 2019

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grant activity of Easterseals Oregon for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Because the schedule presents only a selected portion of the operations of Easterseals Oregon, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of Easterseals Oregon. Pass-through entity identifying numbers are presented when available.

Expenditures

Expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Easterseals Oregon has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Easterseals Oregon negotiated an indirect cost rate of 21.26% with the Department of Labor, but charges indirect costs based on rates specified in each grant agreement, which range from 8.25% to 20%.



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

Board of Directors
Easterseals Oregon
Portland, Oregon

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 Easterseals Oregon, which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easterseals Oregon'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 Easterseals Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of Easterseals Oregon'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 Easterseals Oregon'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.

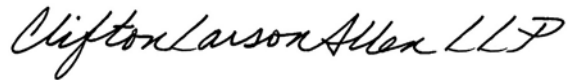
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Easterseals Oregon’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 Easterseals Oregon’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easterseals Oregon’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Bellevue, Washington
December 16, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Easterseals Oregon
Portland, Oregon

Report on Compliance for Each Major Federal Programs

We have audited Easterseals Oregon's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Easterseals Oregon's major federal programs for the year ended August 31, 2019. Easterseals Oregon's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Easterseals Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Easterseals Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, Easterseals Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of Easterseals Oregon 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 Easterseals Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Easterseals Oregon's internal control over compliance.

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

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

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



CliftonLarsonAllen LLP

Bellevue, Washington
December 16, 2019

**EASTERSEALS OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of Major Federal Programs

CFDA Number

Name of Federal Program or Cluster

17.235

U.S. Department of Labor – Senior Community Service Employment Program

17.805

U.S. Department of Labor – Homeless Veterans’ Reintegration Program

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

 \$ 750,000

Auditee qualified as low-risk auditee?

 X yes _____ no

**EASTERSEALS OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).