



Easterseals Arkansas

**Consolidated Financial Statements
and
Supplemental Information
June 30, 2022 and 2021**

(With Independent Auditor's Reports Thereon)

Easterseals Arkansas

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Easterseals Arkansas** and its controlled affiliates (collectively, "**the Organization**"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization and its controlled affiliates as of June 30, 2022 and 2021, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the schedule of state assistance and the supplementary schedules listed in the accompanying table of contents, which are required by the Department of Human Services, are also presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of

Supplementary Information (Continued)

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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
March 31, 2023

Consolidated Financial Statements

Easterseals Arkansas

Consolidated Statements of Financial Position June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,678,223	\$ 4,980,470
Cash and cash equivalents - restricted	521,403	505,614
Investments	2,319,608	2,529,141
Grants and contracts receivable, net	8,599,312	1,733,167
Contributions receivable, net	55,890	72,260
Other receivables	17,862	10,804
Prepaid expenses and other assets	296,075	224,190
Property and equipment, net	<u>20,265,956</u>	<u>20,026,818</u>
TOTAL ASSETS	<u><u>\$ 33,754,329</u></u>	<u><u>\$ 30,082,464</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 685,339	\$ 348,967
Accrued expenses and other liabilities	2,703,876	2,369,581
Line of credit	635,024	-
Long-term obligations	<u>3,367,396</u>	<u>3,516,146</u>
Total Liabilities	<u><u>7,391,635</u></u>	<u><u>6,234,694</u></u>
Net Assets		
Without donor restrictions	20,509,459	18,725,595
With donor restrictions	<u>5,853,235</u>	<u>5,122,175</u>
Total Net Assets	<u><u>26,362,694</u></u>	<u><u>23,847,770</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 33,754,329</u></u>	<u><u>\$ 30,082,464</u></u>

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Revenue, Gains (Losses) and Reclassifications		
Fees and Grants from Government Agencies		
Medicaid	\$ 18,606,617	\$ 17,638,293
Federal awards	10,173,557	2,797,630
State assistance	648,111	2,453,974
Public Support		
Contributed financial assets	374,885	297,867
Contributed nonfinancial assets	228,916	49,810
Special events	956,851	356,682
Other		
Private pay and insurance	1,445,664	1,026,362
Workshop fees	90,875	55,401
Contract service fees	362,364	407,329
Rental income	231,747	246,434
Investment income	59,881	41,444
Loss on disposals of property and equipment	(2,823)	(8,383)
Net (depreciation) appreciation in fair value of investments	(286,270)	246,557
Miscellaneous	62,925	128,411
Total Unrestricted Support, Revenue, Gains (Losses) and Reclassifications	<u>32,953,300</u>	<u>25,737,811</u>
Expenses		
Program Services		
Children	14,679,225	12,298,602
Adult	11,024,127	9,465,347
	<u>25,703,352</u>	<u>21,763,949</u>
Supporting Services		
Administration	4,794,833	2,811,580
Fundraising	671,251	567,081
	<u>5,466,084</u>	<u>3,378,661</u>
Total Expenses	<u>31,169,436</u>	<u>25,142,610</u>
Increase in Net Assets without Donor Restrictions	<u>1,783,864</u>	<u>595,201</u>

(Continued)

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities *(Continued)* Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Public Support		
Contributions	\$ 717,855	\$ 29,514
Net appreciation in fair value of investments	<u>13,205</u>	<u>59,232</u>
Increase in Net Assets with Donor Restrictions	<u>731,060</u>	<u>88,746</u>
INCREASE IN TOTAL NET ASSETS	2,514,924	683,947
NET ASSETS, BEGINNING OF YEAR	<u>23,847,770</u>	<u>23,163,823</u>
NET ASSETS, END OF YEAR	<u><u>\$ 26,362,694</u></u>	<u><u>\$ 23,847,770</u></u>

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2022

	Program Expenses		Total Program	General and		Total
	Children	Adult	Expenses	Administrative	Fundraising	Expenses
Salaries	\$ 9,562,325	\$ 8,206,603	\$ 17,768,928	\$ 1,540,024	\$ 206,657	\$ 19,515,609
Payroll taxes and benefits	1,457,736	1,234,566	2,692,302	259,808	38,552	2,990,662
Professional fees	1,169,607	159,687	1,329,294	2,221,392	95,197	3,645,883
Supplies	797,011	167,510	964,521	147,318	307,986	1,419,825
Taxes and licenses	290,745	80,081	370,826	32,966	-	403,792
Telephone	7,909	13,761	21,670	4,906	-	26,576
Postage and shipping	3,494	1,028	4,522	5,944	834	11,300
Occupancy	234,520	133,282	367,802	33,570	4,093	405,465
Insurance	94,234	66,953	161,187	121,088	1,772	284,047
Printing	541	756	1,297	925	238	2,460
Transportation and travel	62,871	30,387	93,258	26,325	68	119,651
Employee recruitment/retention	176,314	40,898	217,212	64,387	593	282,192
Staff development	36,904	5,209	42,113	11,709	-	53,822
Specific assistance to individuals	-	64,832	64,832	941	-	65,773
National dues and subscriptions	-	-	-	66,321	-	66,321
Other dues and subscriptions	11,858	4,077	15,935	25,422	-	41,357
Repairs and maintenance	192,786	209,120	401,906	56,720	4,456	463,082
Interest	3,140	153,842	156,982	8,241	-	165,223
Miscellaneous	1,380	-	1,380	63,402	-	64,782
Provision for uncollectible accounts	212,372	62,944	275,316	-	2,650	277,966
Depreciation and amortization	363,478	388,591	752,069	103,424	8,155	863,648
Total Expenses	\$ 14,679,225	\$ 11,024,127	\$ 25,703,352	\$ 4,794,833	\$ 671,251	\$ 31,169,436

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2021

	<u>Program Expenses</u>		<u>Total Program</u>	<u>General and</u>		<u>Total</u>
	<u>Children</u>	<u>Adult</u>	<u>Expenses</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Expenses</u>
Salaries	\$ 8,141,419	\$ 6,922,561	\$ 15,063,980	\$ 1,129,706	\$ 285,029	\$ 16,478,715
Payroll taxes and benefits	1,235,160	1,026,121	2,261,281	195,186	50,279	2,506,746
Professional fees	957,662	176,086	1,133,748	938,493	95,886	2,168,127
Supplies	636,796	133,737	770,533	144,237	95,987	1,010,757
Taxes and licenses	288,729	78,475	367,204	32,125	-	399,329
Telephone	23,723	31,239	54,962	16,288	901	72,151
Postage and shipping	4,107	1,147	5,254	4,947	1,363	11,564
Occupancy	213,328	128,693	342,021	21,340	5,020	368,381
Insurance	95,049	76,011	171,060	91,780	2,346	265,186
Printing	724	-	724	142	49	915
Transportation and travel	36,215	19,834	56,049	12,642	989	69,680
Employee recruitment/retention	57,003	31,186	88,189	30,029	387	118,605
Staff development	30,315	17,942	48,257	31,550	6,463	86,270
Specific assistance to individuals	-	60,394	60,394	226	-	60,620
National dues and subscriptions	-	-	-	58,678	-	58,678
Other dues and subscriptions	9,417	283	9,700	21,857	1,391	32,948
Repairs and maintenance	139,843	219,560	359,403	27,970	5,116	392,489
Interest	3,667	158,313	161,980	203	-	162,183
Miscellaneous	-	-	-	(4,171)	-	(4,171)
Provision for uncollectible accounts	73,674	21,545	95,219	-	2,575	97,794
Depreciation and amortization	351,771	362,220	713,991	58,352	13,300	785,643
Total Expenses	<u>\$ 12,298,602</u>	<u>\$ 9,465,347</u>	<u>\$ 21,763,949</u>	<u>\$ 2,811,580</u>	<u>\$ 567,081</u>	<u>\$ 25,142,610</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 2,514,924	\$ 683,947
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities		
Depreciation and amortization expense	863,648	785,643
Loss on disposals of property and equipment	2,823	8,383
Net depreciation (appreciation) in fair value of investments	273,065	(305,789)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(6,866,145)	852,639
Contributions receivable	16,370	(27,915)
Other receivables	(7,058)	16,090
Prepaid expenses and other assets	(71,885)	(33,535)
Accounts payable	336,372	(192,808)
Accrued expenses and other liabilities	334,295	518,288
Net Cash (Used) Provided by Operating Activities	<u>(2,603,591)</u>	<u>2,304,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,108,034)	(475,207)
Purchases of investments	(1,104,613)	(527,028)
Proceeds from sales of property and equipment	2,425	79,874
Proceeds from sales and maturities of investments	1,041,081	388,922
Net Cash Used by Investing Activities	<u>(1,169,141)</u>	<u>(533,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	635,024	-
Payments on capital lease obligations	-	(14,323)
Payments on long-term obligations	(148,750)	(134,870)
Net Cash Provided (Used) by Financing Activities	<u>486,274</u>	<u>(149,193)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,286,458)	1,622,311
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,486,084</u>	<u>3,863,773</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,199,626</u>	<u>\$ 5,486,084</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents - unrestricted	\$ 1,678,223	\$ 4,980,470
Cash and cash equivalents - restricted	521,403	505,614
Total Cash and Cash Equivalents	<u>\$ 2,199,626</u>	<u>\$ 5,486,084</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest expense incurred and paid	<u>\$ 165,223</u>	<u>\$ 162,183</u>

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 1: NATURE OF ACTIVITIES

These consolidated financial statements include the accounts of Easterseals Arkansas (ESA), a nonprofit corporation serving children and adults with disabilities throughout the state of Arkansas, and its affiliates, which include Easterseals Arkansas Foundation (the Foundation), Armistead Apartments, Inc. (Armistead), Charlotte Gardens, Inc. (Charlotte Gardens), Wilson Court II and Harold Court (collectively, “the Organization”).

The Foundation, a nonprofit corporation, was established to foster, support and encourage the activities of ESA. Armistead, Charlotte Gardens, Wilson Court II and Harold Court, also nonprofit corporations, were established to provide housing facilities located in Little Rock, Arkansas, for low-income persons with disabilities and operate under the terms of agreements with the U.S. Department of Housing and Urban Development (HUD). ESA has the ability to exercise control over and has an economic interest in each of these affiliated corporations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. All significant transactions and balances between affiliated entities have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers all short-term investment funds and highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents. At times during 2022 and 2021, cash and cash equivalents balances held with financial institutions and investment banking firms exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC), as applicable, and were not collateralized. In the event of an

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

institutional failure, account balances exceeding FDIC or SIPC insurance may not be recoverable. At June 30, 2022 and 2021, the Organization's account balances totaled approximately \$2,357,000 and \$5,600,000, respectively. Of these balances, approximately \$673,000 and \$4,025,000 at June 30, 2022 and 2021, respectively, were not insured by the FDIC or SIPC, nor were they collateralized.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. See Note 4 for further discussion of fair value measurements.

Net appreciation (depreciation) in fair value of investments reported on the consolidated statements of activities includes realized and unrealized gains and losses on investments bought and sold during the year, as well as those held at year end. Purchases and sales are recorded on a trade date basis. Investment income reported on the consolidated statement of activities includes interest and dividend income earned during the year. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Investment income and gains restricted by donors are reported as increases in net assets without restriction if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) during the reporting period in which the investment returns are recognized and are appropriated for expenditure. Otherwise, investment returns are reported as increases in net assets with donor restrictions.

Property and Equipment, Net

Purchased property and equipment are recorded at historical cost, while contributed property and equipment are recorded at their estimated fair value at the date of receipt. Contributions of property and equipment are reported as support without donor restrictions, unless the donor has restricted the use of the contributed asset for specific purposes. Major renewals and improvements are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation and amortization expense is computed using the straight-line basis over the estimated useful lives of the assets, excluding land and land improvements, which have indefinite useful lives. Useful lives of buildings and improvements range from ten to forty years, while the useful lives of furniture, equipment and vehicles range from five to ten years.

Contributions

Contributions, including unconditional promises to give, are recognized as support in the consolidated statements of activities in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first. Conditional promises to give, that is, those with measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All

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Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions.

Contributions receivable as of June 30, 2022 and 2021 consist of unconditional promises to give and are considered by management to be fully collectible. Contributions that are expected to be collected in future years are discounted to their estimated present value on the date the gift was made. Amortization of the discount is recorded as additional support over the period of collection. As of June 30, 2022 and 2021 all contributions receivable are expected to be collected within one year.

Revenue and Revenue Recognition

Medicaid reimbursements are defined as contracts for services and are recognized as the related services are provided. Receivables from Medicaid represent amounts for contractual services that have been provided, but for which the Organization has not yet received compensation.

Federal awards and state assistance are recognized as revenue on a reimbursement of expense basis. Contractual fees for services are recognized as revenue when the related service is provided. Receivables from federal and state agencies represent amounts requested for reimbursement for allowable expenses incurred in excess of grant funds received or for contractual services that have been provided but for which the Organization has not received compensation. Grant awards are classified as refundable advances to the extent that funds are received before they are expended for their intended purpose or before the required service is provided. Any such amounts are included in accrued expenses and other liabilities on the consolidated statements of financial position.

Allowance for Uncollectible Grants and Contracts Receivable

Allowances for uncollectible grants and contracts receivable are based upon management's analysis of specific accounts, anticipated collections and related historical trends for write-offs of these receivables. Changes in the allowance for uncollectible Medicaid receivables are netted against Medicaid revenues for purposes of presentation in the consolidated financial statements. Changes in the allowance for other uncollectible grants and contracts receivable are included in the appropriate related expenses. Management does not anticipate material losses on these receivables in excess of established allowances.

Donated Services and Materials

Donated services are recognized as contributions only if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Although many volunteers have donated significant amounts of their time to the Organization's program services and fundraising activities, the value of such donated services has not been recognized in the consolidated financial statements as neither of the recognition criteria have been met.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Materials (Continued)

The Organization receives donated items for use in its program services and special events. These contributions are reflected as support and expense in the consolidated financial statements based upon their estimated fair values during the period of use. The value of donated items included in the consolidated financial statements for the years ended June 30, 2022 and 2021 is approximately \$229,000 and \$50,000, respectively.

Functional Expenses

The Organization allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification. Salaries and benefits are common to several functions and are allocated to program and supporting services based on estimates of time worked. Depreciation and utilities are allocated based on square footage.

Expenses associated with certain activities and functions necessary for the support of programs provided by the Organization are reported as supporting services expenses. Supporting services include costs associated with general and administrative functions of the Organization and fundraising activities.

Self-Insured Health Plan Supplemented by Stop-Loss Insurance

The Organization has a self-insured health plan for all its employees. The Organization has purchased stop-loss insurance in order to limit its exposure, which will reimburse the Organization for individual claims in excess of \$75,000 annually or aggregate claims exceeding \$1,000,000 annually. Self-insurance losses are accrued based on the Organization's estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry. At June 30, 2022 and 2021, the accrued liability for self-insured losses is included in accrued expenses and approximates \$228,000 and \$173,000, respectively.

Income Taxes

ESA, the Foundation, Armistead, Charlotte Gardens, Wilson Court II and Harold Court are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not private foundations.

Accounting standards require the Organization to evaluate its tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax positions taken and has concluded that as of June 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

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Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to presentation in the 2022 consolidated financial statements

Recently Adopted Accounting Standards

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The new guidance is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to enhance disclosures about the valuation of those contributions and their use in programs and other activities, including any donor-imposed restrictions on such use. The Organization implemented ASU No. 2020-07 as required for the year ended June 30, 2022; however, ASU 2020-07 had minimal impact on the Organization's financial statements and the notes thereto as contributed nonfinancial assets were not significant to the Organization's operations during the year ended June 30, 2022 and had no donor restrictions on the use of the assets.

Recently Issued Accounting Standards

In February 2016, FASB issued ASU No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement of financial positions for all leases with a term greater than one year and is effective for the Organization on July 1, 2022. Early application is permitted for nonpublic business entities upon issuance. Management of the Organization has not yet determined the significance of the impact of implementation of this standard or any related amendments.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents includes bond reserve accounts and reserve accounts required by HUD as follows:

Bond Reserve Accounts Held with Trustee

Bond Funds

The bond funds include resources accumulated for the payment of principal and interest on outstanding bonds.

Debt Service Reserve Funds

The debt service reserve funds include additional resources segregated to pay scheduled principal and interest payments in the event that sufficient resources are not available in the bond funds.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

Bond Reserve Accounts Held with Trustee (Continued)

Balances in these accounts, which are held with the trustee in demand deposit accounts and certificates of deposits, are not available for general operating purposes. The balances are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Bond funds	\$ 96,658	\$ 96,561
Debt service reserve funds	<u>164,845</u>	<u>164,712</u>
	<u>\$ 261,503</u>	<u>\$ 261,273</u>

HUD Accounts

The Organization maintains deposit accounts as required by HUD to accumulate resources for building maintenance, replacement of property and other allowable expenses specified by HUD. Balances accumulated in these accounts may not be spent without HUD approval. Balances in these accounts totaled approximately \$260,000 and \$244,000 at June 30, 2022 and 2021, respectively.

NOTE 4: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include the following:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of assets. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation methodologies used during the years ended June 30, 2022 and 2021.

The fair values of mutual funds are determined based on the net asset value of shares held by the Organization at year end. Mutual funds held by the Organization are open ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The fair values of U.S. Treasury notes, exchange traded funds and equity securities are determined based on closing prices reported on the active market in which those investments are traded.

The methods described to estimate fair value may result in a fair value estimate that is indicative of net realizable value or reflective of future fair values. Furthermore, although management of the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's assets measured at fair value on a recurring basis at June 30 are as follows:

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 9,822	\$ 9,822	\$ -	\$ -
Small value	7,192	7,192	-	-
Small growth	40,982	40,982	-	-
Mid-cap growth	2,154	2,154	-	-
Mid-cap value	3,094	3,094	-	-
Large value	16,330	16,330	-	-
Large growth	7,692	7,692	-	-
Corporate bonds	51,789	51,789	-	-
High-yield bond	3,382	3,382	-	-
Ultrashort bond	230,449	230,449	-	-
Intermediate term bond	9,186	9,186	-	-
Foreign small growth	3,240	3,240	-	-
Foreign large value	2,731	2,731	-	-
World bond	6,641	6,641	-	-
Bank loans	477,623	477,623	-	-
Convertibles	22,864	22,864	-	-
Total mutual funds	<u>\$ 895,171</u>	<u>\$ 895,171</u>	<u>\$ -</u>	<u>\$ -</u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 24,961	\$ 24,961	\$ -	\$ -
Exchange traded funds:				
Small growth	59,005	59,005	-	-
Small cap	4,135	4,135	-	-
Mid-cap value	184,449	184,449	-	-
Mid-cap growth	84,765	84,765	-	-
Large value	335,977	335,977	-	-
Large blend	60,732	60,732	-	-
Large growth	125,985	125,985	-	-
Financial	74,529	74,529	-	-
Preferred stock	104,003	104,003	-	-
Corporate bonds	102,026	102,026	-	-
Total exchange traded funds	1,135,606	1,135,606	-	-
Equity securities:				
Basic materials	82,924	82,924	-	-
Financial	33,641	33,641	-	-
Healthcare	23,380	23,380	-	-
Services	1,103	1,103	-	-
Communication	21,434	21,434	-	-
Consumer goods	29,378	29,378	-	-
Technology	61,721	61,721	-	-
Industrial	3,309	3,309	-	-
Energy	6,980	6,980	-	-
Total equity securities	263,870	263,870	-	-
Total Investments	\$ 2,319,608	\$ 2,319,608	\$ -	\$ -

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 151,573	\$ 151,573	\$ -	\$ -
Small value	8,890	8,890	-	-
Small growth	58,488	58,488	-	-
Mid-cap growth	4,629	4,629	-	-
Mid-cap blend	4,499	4,499	-	-
Large value	18,639	18,639	-	-
Large growth	18,583	18,583	-	-
Corporate bonds	47,405	47,405	-	-
High-yield bond	5,734	5,734	-	-
Ultrasort bond	205,706	205,706	-	-
Intermediate term bond	174,493	174,493	-	-
Foreign small growth	5,143	5,143	-	-
Foreign large value	4,388	4,388	-	-
World bond	11,302	11,302	-	-
Bank loans	50,000	50,000	-	-
Convertibles	25,429	25,429	-	-
Total mutual funds	794,901	794,901	-	-
U.S. Treasury Notes	59,987	59,987	-	-
Exchange traded funds:				
Small growth	77,923	77,923	-	-
Small cap	1,400	1,400	-	-
Mid-cap value	139,356	139,356	-	-
Mid-cap growth	148,971	148,971	-	-
Large value	240,557	240,557	-	-
Large blend	55,576	55,576	-	-
Large growth	238,992	238,992	-	-
Financial	75,377	75,377	-	-
Short-term bond	209,716	209,716	-	-
Preferred stock	108,708	108,708	-	-
Corporate bonds	106,003	106,003	-	-
Total exchange traded funds	1,402,579	1,402,579	-	-

(Continued)

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Basic materials	\$ 56,931	\$ 56,931	\$ -	\$ -
Financial	35,729	35,729	-	-
Healthcare	21,041	21,041	-	-
Services	71	71	-	-
Communication	18,640	18,640	-	-
Consumer goods	40,390	40,390	-	-
Technology	98,872	98,872	-	-
Total equity securities	<u>271,674</u>	<u>271,674</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 2,529,141</u>	<u>\$ 2,529,141</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE, NET

The following is a summary of grants and contracts receivable at June 30:

	2022	2021
Medicaid	\$ 1,860,900	\$ 1,855,950
Federal awards	89,795	108,716
State assistance	21,974	36,258
Employee retention credit	6,870,614	-
Private pay and insurance	-	3,606
Contract service fees	44,724	41,209
	<u>8,888,007</u>	<u>2,045,739</u>
Less allowance for uncollectible receivables	<u>(288,695)</u>	<u>(312,572)</u>
	<u>\$ 8,599,312</u>	<u>\$ 1,733,167</u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 6: PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment at June 30:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 23,226,008	\$ 23,126,260
Furniture and equipment	3,815,229	3,413,309
Vehicles	674,817	624,810
	<u>27,716,054</u>	<u>27,164,379</u>
Less accumulated depreciation and amortization	(13,112,050)	(12,350,671)
	<u>14,604,004</u>	<u>14,813,708</u>
Land and nondepreciable land improvements	5,661,952	5,213,110
	<u>\$ 20,265,956</u>	<u>\$ 20,026,818</u>

NOTE 7: ACCRUED EXPENSES AND OTHER LIABILITIES

The following is a summary of accrued expenses and other liabilities at June 30:

	<u>2022</u>	<u>2021</u>
Payroll and related liabilities	\$ 1,901,597	\$ 1,804,762
Employee retention credit consulting fee liability	630,592	-
Deferred revenues	160,915	554,937
Other accrued expenses	10,772	9,882
	<u>\$ 2,703,876</u>	<u>\$ 2,369,581</u>

NOTE 8: LINE OF CREDIT

The Organization maintains a line of credit with a financial institution for an amount up to \$1,500,000. Advances on the line of credit bear interest at a variable rate of one percentage point above the prime rate of the top thirty banks in the United States (otherwise known as the Prime Index). Interest only payments are due monthly with the entire outstanding principal balance and all accrued and unpaid interest due on the maturity date of June 18, 2023. The outstanding balance on the line of credit at June 30, 2022 was \$635,024. The line of credit is secured by an interest in the accounts receivable of the Organization.

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Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 9: LONG-TERM OBLIGATIONS

On December 16, 2011, Pulaski County issued a \$4,500,000 revenue bond (the 2011 Facility Bond) to finance the construction of a job training and wellness center for adults with disabilities. Under a loan agreement executed on that date, the County agreed to lend the proceeds of the 2011 Facility Bond to the Organization to construct the facility.

The guaranty agreements executed by the Organization concurrently with the issuance of the bonds contain certain restrictive covenants, including, among other things, requirements to maintain a debt service coverage ratio of not less than 1.00 to 1.00. Management is not aware of any violations of any covenants during the years ended June 30, 2022 and 2021.

The Organization's long-term obligation at June 30, is as follows:

	<u>2022</u>	<u>2021</u>
\$4,500,000 revenue bond payable, dated December 16, 2011; fixed interest rates ranging between 2.25% and 5.00% through December 2036; principal payments through December 2036 at varying amounts; secured by a mortgage on certain buildings and land with a net book value of \$7,804,115 at June 30, 2022.	<u>\$ 3,367,396</u>	<u>\$ 3,516,146</u>

Scheduled principal payments for these long-term obligations during the fiscal years subsequent to June 30, 2022, are as follows:

2023	\$ 252,146
2024	173,750
2025	185,833
2026	195,833
2027	202,917
Thereafter	<u>2,356,917</u>
	<u>\$ 3,367,396</u>

NOTE 10: COVID RELIEF FUNDING

Disabilities Providers Emergency Loan Program

The Arkansas Economic Development Commission (AEDC) established the Development Disabilities Provider Emergency Loan Program (ELP) to preserve jobs and to provide fast and direct economic assistance to Developmental Disabilities Providers (the Providers) with more than 500 employees. The ELP is a form of assistance authorized by the State of Arkansas and provided the Providers with resources to maintain payroll, rehire employees who have been laid off and cover certain overhead costs. During the year ended June 30, 2021, the Organization was approved and received \$2,056,300 in ELP funds. ELP funds are provided to eligible employers and will ultimately be forgiven by the AEDC

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 10: COVID RELIEF FUNDING (Continued)

Disabilities Providers Emergency Loan Program (Continued)

if certain conditions are met and funds are used for specific costs (as identified under the Code and related implementation guidance). In April 2021, the Organization was granted forgiveness for the full loan amount. The related revenue is included in state assistance on the consolidated statements of activities.

Employee Retention Credit

The Employee Retention Credit (ERC) was established by the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES Act). The ERC is a fully refundable tax credit for employers equal to 50 percent of certain qualified wages that Eligible Employers paid their employees between March 1, 2020 and October 31, 2021, with the maximum credit for each employee being \$26,000 for all calendar quarters during that period. The Organization filed amended tax returns with the Internal Revenue Service claiming credits totaling \$6,870,614. The balance of which is included in Federal awards on the consolidated statements of activities in the financial statements. As of June 30, 2022, the balance of the ERC was still outstanding and is included in grants and contracts receivable on consolidated statements of financial position.

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

Net Assets Donor Restricted to the Passage of Time

The costs of constructing Armistead's eighteen-unit apartment complex, Charlotte Gardens' fourteen-unit apartment complex, Wilson Court II's fourteen-unit apartment complex, and Harold Court's fourteen-unit apartment complex were partially funded through capital advance awards provided by HUD under Section 811 of the National Affordable Housing Act of 1990, *Supportive Housing for Persons with Disabilities* (Section 811) and through direct subsidies provided by the Federal Home Loan Bank (FHLB). Pursuant to the terms of the Capital Advance Agreements executed with HUD and the agreements executed with FHLB, the capital advances and subsidies bear no interest and are not required to be repaid, subject to continuing compliance requirements and as long as housing remains available to eligible individuals for a period of forty years. The capital advances are secured by mortgages on each of the apartment complexes and the land on which they are located. Since management considers the possibility of repayment of the capital advances and subsidies to be remote, these advances and subsidies were recognized as support with donor restrictions when received and are included in net assets with donor restrictions.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets restricted to the passage of time at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Net Assets Donor Restricted to Passage of Time:		
HUD capital advance - Armistead	\$ 928,500	\$ 928,500
HUD capital advance - Charlotte Gardens	902,800	902,800
HUD capital advance - Wilson Court II	1,237,500	1,237,500
HUD capital advance - Harold Court	1,491,000	1,491,000
FHLB direct subsidy - Wilson Court II	154,000	154,000
FHLB direct subsidy - Harold Court	98,000	98,000
Total net assets donor restricted to passage of time	<u>\$ 4,811,800</u>	<u>\$ 4,811,800</u>

Net Assets Restricted to Purpose

Net assets restricted to a purpose at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Net Assets Donor Restricted to Purpose:		
Contributions for specific supplies	\$ 440,852	\$ 29,070
Contributions for scholarships to Grand Prairie Child Development Center	219,413	206,208
Total net assets donor restricted to purpose	<u>\$ 660,265</u>	<u>\$ 235,278</u>

Net Assets Restricted in Perpetuity

Net assets restricted in perpetuity at June 30, 2022 and 2021, include contributions received by the Organization, the corpus of which may not be used for any purpose other than investment in perpetuity, while the income earned may be used for a donor restricted purpose. Net assets restricted in perpetuity at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Net Assets Restricted in Perpetuity:		
Contributions to enhance the independence or lifestyle of a disabled individual	\$ 65,097	\$ 65,097
Contributions to the Infant Scholarship Fund	10,000	10,000
Contributions for educational purposes	306,073	-
Total net assets donor restricted in perpetuity	<u>\$ 381,170</u>	<u>\$ 75,097</u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 12: RETIREMENT BENEFITS

The Organization provides a 403(b) salary deferral retirement plan that covers substantially all full-time employees. As approved by the Board of Directors, the Organization may elect to contribute up to 3.00% of each participating employee's eligible compensation annually to the 403(b) plan. During the years ended June 30, 2022 and 2021, the Board of Directors approved a 3.00% match contribution to participating and eligible employees.

The Organization also provides a deferred compensation plan for its current and former President/CEOs that provides periodic payments over an agreed-upon period after separation of this plan. During the year ended June 30, 2022, the Board of Directors did not approve contributions to the plan. During the year ended June 30, 2021, the Board of Directors approved contributions of approximately \$39,000. Plan assets totaled approximately \$189,000 and \$323,000, respectively, at June 30, 2022 and 2021, and are included in investments with an offsetting liability included in accrued expenses and other liabilities in the consolidated statements of financial position. The assets are held in the Organization's name and are subject to claims of the Organization's creditors.

NOTE 13: CONTINGENCIES

The Organization receives federal awards and state assistance designated for specific purposes that are subject to subsequent review and audit by federal and state funding sources. These reviews and audits could result in a requirement for reimbursement by the funding sources for amounts disallowed under the terms and conditions of the related contracts and grants. It is the opinion of management that such disallowances, if any, would not be significant to the Organization's consolidated financial statements.

NOTE 14: RISKS AND UNCERTAINTIES

Market disruptions associated with current geopolitical events have had a global impact, and uncertainty exists as to their implications. Such disruptions can adversely affect assets and thus performance of the investments; at this time, an aggregate effect on assets and performance cannot be reasonably estimated. Management is continuing to monitor these developments and evaluate other impacts they may have on the investments.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2022 and 2021

NOTE 15: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents - unrestricted	\$ 1,678,223	\$ 4,980,470
Cash and cash equivalents - restricted	521,403	505,614
Grants and contracts receivable, net	8,599,312	1,733,167
Contributions receivable, net	55,890	72,260
Other receivables	17,862	10,804
Investments	<u>2,319,608</u>	<u>2,529,141</u>
Total financial assets	13,192,298	9,831,456
Less:		
Net assets donor restricted to passage of time	(4,811,800)	(4,811,800)
Net assets donor restricted to purpose	(660,265)	(235,278)
Net assets donor restricted in perpetuity	(381,170)	(75,097)
Restricted cash and equivalents	<u>(521,403)</u>	<u>(505,614)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,817,660</u></u>	<u><u>\$ 4,203,667</u></u>

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 31, 2023, the date the consolidated financial statements were available to be issued. There were no additional events that met the criteria for accrual or disclosure.

Supplementary Schedules

Easterseals Arkansas

Combining Schedule of Support, Revenue and Direct Expenses Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
SUPPORT, REVENUE AND GAINS (LOSSES)							
Fees and Grants from Government Agencies							
Medicaid	\$ 9,520,897	\$ 9,085,720	\$ 18,606,617	\$ -	\$ -	\$ -	\$ 18,606,617
Federal awards	1,814,549	879,783	2,694,332	7,479,225	-	7,479,225	10,173,557
State assistance	491,660	156,451	648,111	-	-	-	648,111
Public Support							
Contributions	36,256	70,165	106,421	78,000	1,137,235	1,215,235	1,321,656
Special events	-	-	-	-	956,851	956,851	956,851
Other							
Private pay and insurance	1,311,536	134,128	1,445,664	-	-	-	1,445,664
Employee retention credit	-	-	-	-	-	-	-
Workshop fees	90,875	-	90,875	-	-	-	90,875
Contract service fees	362,364	-	362,364	-	-	-	362,364
Rental income	-	181,667	181,667	50,080	-	50,080	231,747
Investment income	-	230	230	6,167	53,484	59,651	59,881
Loss on disposal of property and equipment	-	-	-	(2,823)	-	(2,823)	(2,823)
Net appreciation (depreciation) in fair value of investments	-	-	-	13,283	(286,348)	(273,065)	(273,065)
Miscellaneous	-	3,725	3,725	58,724	476	59,200	62,925
Total Support, Revenue and Gains (Losses)	13,628,137	10,511,869	24,140,006	7,682,656	1,861,698	9,544,354	33,684,360

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Combining Schedule of Support, Revenue and Direct Expenses *(Continued)* Year Ended June 30, 2022

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
DIRECT EXPENSES							
Salaries	\$ 9,562,325	\$ 8,206,603	\$ 17,768,928	\$ 1,540,024	\$ 206,657	\$ 1,746,681	\$ 19,515,609
Payroll taxes and benefits	1,457,736	1,234,566	2,692,302	259,808	38,552	298,360	2,990,662
Professional fees	1,169,607	159,687	1,329,294	2,221,392	95,197	2,316,589	3,645,883
Supplies	797,011	167,510	964,521	147,318	307,986	455,304	1,419,825
Taxes and licenses	290,745	80,081	370,826	32,966	-	32,966	403,792
Telephone	7,909	13,761	21,670	4,906	-	4,906	26,576
Postage and shipping	3,494	1,028	4,522	5,944	834	6,778	11,300
Occupancy	234,520	133,282	367,802	33,570	4,093	37,663	405,465
Insurance	94,234	66,953	161,187	121,088	1,772	122,860	284,047
Printing	541	756	1,297	925	238	1,163	2,460
Transportation and travel	62,871	30,387	93,258	26,325	68	26,393	119,651
Employee recruitment/retention	176,314	40,898	217,212	64,387	593	64,980	282,192
Staff development	36,904	5,209	42,113	11,709	-	11,709	53,822
Specific assistance to individuals	-	64,832	64,832	941	-	941	65,773
National dues and subscriptions	-	-	-	66,321	-	66,321	66,321
Other dues and subscriptions	11,858	4,077	15,935	25,422	-	25,422	41,357
Repairs and maintenance	192,786	209,120	401,906	56,720	4,456	61,176	463,082
Interest	3,140	153,842	156,982	8,241	-	8,241	165,223
Miscellaneous	1,380	-	1,380	63,402	-	63,402	64,782
Provision for uncollectible accounts	212,372	62,944	275,316	-	2,650	2,650	277,966
Depreciation and amortization	363,478	388,591	752,069	103,424	8,155	111,579	863,648
Total Direct Expenses	14,679,225	11,024,127	25,703,352	4,794,833	671,251	5,466,084	31,169,436
Excess of Revenue and Support over Direct Expenses/(Excess of Direct Expenses over Revenue and Support)	\$ (1,051,088)	\$ (512,258)	\$ (1,563,346)	\$ 2,887,823	\$ 1,190,447	\$ 4,078,270	\$ 2,514,924

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses Children Services Division Year Ended June 30, 2022

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
SUPPORT, REVENUE AND GAINS								
Fees and Grants from Government Agencies								
Medicaid	\$ 1,782,270	\$ 1,305,038	\$ 573,317	\$ -	\$ 101,237	\$ -	\$ 5,759,035	\$ 9,520,897
Federal awards	-	433,256	135,765	1,204,445	41,083	-	-	1,814,549
State assistance	-	945	-	53,000	-	140,113	297,602	491,660
Public Support								
Contributions	5,330	-	400	-	29,416	-	1,110	36,256
Other								
Private pay and insurance	644,986	61,280	2,775	-	541,616	-	60,879	1,311,536
Workshop fees	-	-	-	90,875	-	-	-	90,875
Contract service fees	-	-	-	-	-	362,364	-	362,364
Miscellaneous	-	-	-	-	-	-	-	-
Total Support, Revenue and Gains	2,432,586	1,800,519	712,257	1,348,320	713,352	502,477	6,118,626	13,628,137
DIRECT EXPENSES								
Salaries	1,802,923	1,255,253	494,676	861,285	556,853	385,889	4,205,446	9,562,325
Payroll taxes and benefits	284,848	174,154	71,816	147,173	102,675	62,891	614,179	1,457,736
Professional fees	347,560	994	34,200	10,540	20,133	22,569	733,611	1,169,607
Supplies	43,135	81,562	49,220	91,153	26,311	7,812	497,818	797,011
Taxes and licenses	-	-	-	-	3,660	-	287,085	290,745
Telephone	865	840	1,283	776	1,841	135	2,169	7,909
Postage and shipping	1,201	105	1	636	68	10	1,473	3,494
Occupancy	22,474	21,536	28,516	7,382	25,332	13,920	115,360	234,520
Insurance	12,746	9,325	4,440	3,196	15,825	4,769	43,933	94,234

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses *(Continued)* *Children Services Division (Continued)* Year Ended June 30, 2022

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
DIRECT EXPENSES <i>(Continued)</i>								
Printing	\$ 190	\$ 168	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ 541
Transportation and travel	1,332	-	3,379	44,233	2,640	-	11,287	62,871
Employee recruitment/retention	4,211	4,999	2,145	1,333	1,937	11,238	150,451	176,314
Staff development	11,758	2,751	-	4,178	519	3,076	14,622	36,904
Other dues and subscriptions	4,079	200	75	4,008	619	150	2,727	11,858
Repairs and maintenance	22,557	23,963	14,636	8,627	54,852	1,407	66,744	192,786
Interest	3,140	-	-	-	-	-	-	3,140
Miscellaneous	3,625	1,203	-	(5,675)	1,300	-	927	1,380
Provision for uncollectible accounts	106,524	14,693	5,510	-	7,346	-	78,299	212,372
Depreciation and amortization	40,376	55,679	16,999	37,460	10,984	19,380	182,600	363,478
Total Direct Expenses	2,713,544	1,647,425	727,079	1,216,305	832,895	533,246	7,008,731	14,679,225
ALLOCATION OF ADMINISTRATIVE COST	375,559	260,815	93,298	173,034	106,876	68,426	899,354	1,977,362
Total Expenses and Allocation	3,089,103	1,908,240	820,377	1,389,339	939,771	601,672	7,908,085	16,656,587
	<u>\$ (656,517)</u>	<u>\$ (107,721)</u>	<u>\$ (108,120)</u>	<u>\$ (41,019)</u>	<u>\$ (226,419)</u>	<u>\$ (99,195)</u>	<u>\$ (1,789,459)</u>	<u>\$ (3,028,450)</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses Adult Services Division Year Ended June 30, 2022

	Adult Day and Employment Program	Residential	Community Services	Armistead Apartments	Charlotte Gardens Apartments	Wilson Court II Apartments	Harold Court Apartments	Total
SUPPORT, REVENUE AND GAINS								
Fees and Grants from Government Agencies								
Medicaid	\$ 1,492,593	\$ 717,862	\$ 6,875,265	\$ -	\$ -	\$ -	\$ -	\$ 9,085,720
Federal awards	527,727	-	-	104,337	80,914	89,802	77,003	879,783
State assistance	156,451	-	-	-	-	-	-	156,451
Public Support								
Contributions	30,165	-	40,000	-	-	-	-	70,165
Other								
Private pay and insurance	32,980	101,148	-	-	-	-	-	134,128
Rental income	-	-	-	45,744	48,978	40,188	46,757	181,667
Investment income	-	-	-	9	63	76	82	230
Miscellaneous	3,725	-	-	-	-	-	-	3,725
Total Support, Revenue and Gains	2,243,641	819,010	6,915,265	150,090	129,955	130,066	123,842	10,511,869
DIRECT EXPENSES								
Salaries	1,524,832	507,209	5,987,328	66,761	42,848	40,056	37,569	8,206,603
Payroll taxes and benefits	251,375	76,102	865,901	15,158	9,140	8,393	8,497	1,234,566
Professional fees	82,966	13,510	7,711	14,500	14,500	13,250	13,250	159,687
Supplies	64,545	60,325	23,751	6,075	3,855	3,719	5,240	167,510
Taxes and licenses	-	80,081	-	-	-	-	-	80,081
Telephone	4,446	1,059	4,084	1,484	888	921	879	13,761
Postage and shipping	359	235	169	75	75	59	56	1,028
Occupancy	62,928	20,150	-	17,382	11,604	10,088	11,130	133,282
Insurance	24,251	8,099	-	9,872	8,581	9,024	7,126	66,953
Printing	756	-	-	-	-	-	-	756
Transportation and travel	10,633	3,474	2,006	4,243	3,307	3,340	3,384	30,387
Employee recruitment/retention	7,187	1,175	32,122	59	134	15	206	40,898

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses *(Continued)* *Adult Services Division (Continued)* Year Ended June 30, 2022

	Adult Day and Employment Program	Residential	Community Services	Armistead Apartments	Charlotte Gardens Apartments	Wilson Court II Apartments	Harold Court Apartments	Total
DIRECT EXPENSES <i>(Continued)</i>								
Staff development	\$ 1,856	\$ 668	\$ 2,309	\$ 94	\$ 94	\$ 94	\$ 94	\$ 5,209
Specific assistance to individuals	-	-	64,832	-	-	-	-	64,832
Other dues and subscriptions	3,451	537	-	11	26	26	26	4,077
Repairs and maintenance	50,344	25,700	-	56,614	33,034	24,103	19,325	209,120
Interest	153,842	-	-	-	-	-	-	153,842
Miscellaneous	(81,201)	81,201	-	-	-	-	-	-
Provision for uncollectible accounts	7,346	500	55,098	-	-	-	-	62,944
Depreciation and amortization	226,698	10,966	3,689	32,042	28,715	38,226	48,255	388,591
Total Direct Expenses	2,396,614	890,991	7,049,000	224,370	156,801	151,314	155,037	11,024,127
ALLOCATION OF ADMINISTRATIVE COST	307,532	114,330	904,522	28,791	20,121	19,416	19,894	1,414,606
Total Expenses and Allocation	2,704,146	1,005,321	7,953,522	253,161	176,922	170,730	174,931	12,438,733
	<u><u>\$ (460,505)</u></u>	<u><u>\$ (186,311)</u></u>	<u><u>\$ (1,038,257)</u></u>	<u><u>\$ (103,071)</u></u>	<u><u>\$ (46,967)</u></u>	<u><u>\$ (40,664)</u></u>	<u><u>\$ (51,089)</u></u>	<u><u>\$ (1,926,864)</u></u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Program Units of Service Year Ended June 30, 2022

		Number of Program Units of Service Provided				
		Medicaid	Federal Awards	State Awards	Private Pay	Total
40-bed residential:						
ICF/MR	Day	13,085	-	-	-	13,085
DCFS	Day	667	-	-	-	667
10-bed residential ICF/MR	Day	3,650	-	-	-	3,650
ADDT	Hour	120,697	-	5,214	-	125,911
EIDT	Hour	111,037	-	-	-	111,037
Transportation	Mile	6,447	-	-	-	6,447
Transportation	Day	-	-	-	212	212
Work activity	Hour	-	-	8,499	-	8,499

See Independent Auditor's Report.

**Other Reports
and
Supplemental Information**



**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***

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

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 consolidated financial statements of **Easterseals Arkansas** and affiliates (collectively, "**the Organization**"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to Findings

Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
March 31, 2023



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

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

We have audited **Easterseals Arkansas** and affiliates' (collectively "**the Organization**"), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompany schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The 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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
March 31, 2023

Easterseals Arkansas

Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

	Federal Assistance Listing Number	Expenditures
EXPENDITURES		
U.S. Department of Housing and Urban Development		
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Armistead Apartments, Inc.)	14.181	\$ 104,337
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Charlotte Gardens, Inc.)	14.181	80,914
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Wilson Court II)	14.181	89,802
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Harold Court)	14.181	77,003
Total U.S. Department of Housing and Urban Development		352,056
U.S. Department of Education		
Passed through Arkansas Department of Education: Special Education Cluster: Special Education – Grants to States (IDEA, Part B): Outreach	84.027	1,204,445
Passed through Arkansas Rehabilitation Services: Rehabilitation Services – Vocational Rehabilitation Grants to States: Academics, Community, Career Development and Employment program	84.126	60,599
High School Transition	84.126	357,828
Supportive Employment	84.126	48,250
Transitional Employment Program	84.126	4,869
Total U.S. Department of Education		1,675,991
U.S. Department of Health and Human Services		
Passed through Arkansas Department of Human Services: Child Care and Development Block Grant	93.575	\$ 86,212
Child Care and Development Block Grant - COVID Child Care	93.575	53,091
Emergency Food Assistance Program - CCDF COVID CARES Enhancement	93.575	40,184
American Rescue Plan Act - Child Care Stabilization	93.575	286,500
American Rescue Plan Act - Child Care Supplemental	93.575	140,255
Foster Care – Title IV-E	93.658	3,862
Social Services Block Grant - Service Operational Contract	93.667	56,181
Provider Relief Funds	93.498	711,596
Total U.S. Department of Health and Human Services		1,377,881
Total Expenditures		\$ 3,405,928

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards *(Continued)* Year Ended June 30, 2022

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
CAPITAL ADVANCES		
U.S. Department of Housing and Urban Development		
Supportive Housing for Persons with Disabilities (Section 811) – Capital Advance (Armistead)	14.181	\$ 928,500
Supportive Housing for Persons with Disabilities (Section 811) – Capital Advance (Charlotte Gardens)	14.181	902,800
Supportive Housing for Persons with Disabilities (Section 811) – Capital Advance (Wilson Court II)	14.181	1,391,500
Supportive Housing for Persons with Disabilities (Section 811) – Capital Advance (Harold Court)	14.181	<u>1,491,099</u>
Total Capital Advances		<u><u>\$ 4,713,899</u></u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards *(Continued)* Year Ended June 30, 2022

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity under programs of the Federal government during the year ended June 30, 2022. 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, consolidated changes in net assets or consolidated cash flows of the Organization.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Capital advances outstanding are required to be reported on the Schedule even though they were not awarded during the current year due to continuing compliance requirements that must be adhered to by the Organization.

NOTE 3: MEDICAID

Medicaid reimbursements paid to providers are defined as contracts for services and not federal awards; therefore, they are not covered by the reporting requirements of the Uniform Guidance and are not included in the Schedule. Total Medicaid funding for the year ended June 30, 2022 was \$18,606,617.

NOTE 4: INDIRECT COST RATE

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance, but rather the rates established directly with each of the respective funding agencies.

NOTE 5: PROVIDER RELIEF FUNDS

For the year ended June 30, 2022, the Organization received and expensed \$608,611 in Provider Relief Funds (PRF, Assistance Listing #93.498). The entirety of this amount was received directly from the United States Department of Health and Human Services. The PRF monies are not reported on the Schedule for the year ended June 30, 2022 because these funds are required to be reported in the year ended June 30, 2023 in accordance with the Health Resources and Services Administration guidance.

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of State Assistance Year Ended June 30, 2022

	<u>Revenues</u>	<u>Expenditures</u>
STATE ASSISTANCE		
Arkansas Department of Human Services		
Division of Developmental Disabilities Services –		
Service Operational Contract	\$ 41,886	\$ 41,886
Foster Care - State	297,602	297,602
Arkansas Early Childhood Association - TEACH	945	945
Total Arkansas Department of Human Services	<u>340,433</u>	<u>340,433</u>
Arkansas Department of Education		
Arkansas Department of Education	193,113	193,113
Total Arkansas Department of Education	<u>193,113</u>	<u>193,113</u>
Arkansas Department of Career Education		
Passed through Arkansas Rehabilitation Services		
Vocational Rehabilitation Grants		
Academics, Community, Career Development and		
Employment program	16,401	16,401
High School Transition	96,846	96,846
TEP Program	1,318	1,318
Total Arkansas Department of Career Education	<u>114,565</u>	<u>114,565</u>
Total State Assistance	<u>\$ 648,111</u>	<u>\$ 648,111</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Findings and Questioned Costs Year Ended June 30, 2022

Section I - Summary of Auditor's Results

- **Type of Auditor's Report Issued - Consolidated Financial Statements**
Unmodified opinion
- **Internal Control - Consolidated Financial Statements**
Significant deficiency
- **Material Noncompliance - Consolidated Financial Statements**
None
- **Internal Control - Major Programs**
Significant deficiency
- **Type of Report Issued - Compliance**
Unmodified opinion
- **Audit Findings Under the Uniform Guidance**
None
- **Major Programs**
 - U.S. Department of Housing and Urban Development, Supportive Housing for Persons with Disabilities (Section 811), CFDA #14.181
 - U.S. Department of Education, Passed through Arkansas Department of Education, Special Education Grants to States, CFDA #84.027
- **Threshold for Distinguishing between Type A and Type B Programs**
\$750,000
- **Type of Auditee**
Low-risk auditee

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Findings and Questioned Costs (*Continued*) Year Ended June 30, 2022

Section II - Audit Findings - Consolidated Financial Statement

<i>Finding:</i>	2022-1 Timely Reconciliation of Accounts
<i>Condition:</i>	During the year ended June 30, 2022, we noted that certain reconciliations of accounts were not being performed in a timely manner.
<i>Criteria & Cause:</i>	Timely monthly reconciliations are an integral part of ensuring accurate accounting information is included in the financial statements.
<i>Context:</i>	A number of monthly reconciliations were not performed and reviewed in a timely manner throughout the fiscal year.
<i>Effect:</i>	Incomplete or inaccurate accounting information.
<i>Recommendation:</i>	We recommend that more effective review and reconciliation policies and procedures be established as a customary part of the accounting process.
<i>View of Responsible Officials and Planned Corrective Actions:</i>	Management agrees with the recommendation, and plans to implement improved accounting reconciliation processes.

Section III - Finding and Questioned Costs – Major Federal Award Program Audit

See finding 2022-1 as described above in Section II – Audit Findings – Consolidated Financial Statements.

See Independent Auditor's Report.