



**Easterseals Arkansas**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**June 30, 2019 and 2018**

**(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 Financial Statements

We have audited the accompanying consolidated financial statements of **Easterseals Arkansas** and affiliates (collectively, "**the Organization**"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

### **Auditor's Responsibility (Continued)**

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 consolidated financial statements referred to on the preceding page present fairly, in all material respects, the consolidated financial position of **Easterseals Arkansas** and affiliates as of June 30, 2019 and 2018, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As disclosed in Note 2 to the consolidated financial statements, management adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Other 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*; schedule of state assistance, as required by the state of Arkansas Department of Human Services; and the supplementary schedules, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are 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 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 4, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

The Board of Directors  
Easterseals Arkansas

**Other Reporting Required by *Government Auditing Standards* (Continued)**

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Certified Public Accountants  
March 4, 2020  
Little Rock, Arkansas

## **Consolidated Financial Statements**

# Easterseals Arkansas

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 1,877,519	\$ 2,257,458
Cash and cash equivalents - restricted	511,766	497,974
Investments	2,303,825	2,151,763
Grants and contracts receivable, net	3,482,684	1,672,499
Contributions receivable, net	53,458	71,281
Other receivables	18,359	19,575
Prepaid expenses and other assets	235,647	186,484
Property and equipment, net	<u>20,681,895</u>	<u>21,090,636</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 29,165,153</u></u>	<u><u>\$ 27,947,670</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 643,300	\$ 283,964
Accrued expenses and other liabilities	1,267,594	1,264,722
Capital lease obligations	55,414	93,797
Long-term obligations	<u>3,760,411</u>	<u>3,980,821</u>
<b>Total Liabilities</b>	<u>5,726,719</u>	<u>5,623,304</u>
 <b>Net Assets</b>		
Without donor restrictions	18,373,825	17,267,179
With donor restrictions	<u>5,064,609</u>	<u>5,057,187</u>
<b>Total Net Assets</b>	<u>23,438,434</u>	<u>22,324,366</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 29,165,153</u></u>	<u><u>\$ 27,947,670</u></u>

See accompanying notes to consolidated financial statements.

# Easterseals Arkansas

## CONSOLIDATED STATEMENTS OF ACTIVITIES Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Support, Revenue, Gains (Losses) and Reclassifications</b>		
<b>Fees and Grants from Government Agencies</b>		
Medicaid	\$ 18,934,654	\$ 18,245,605
Federal awards	2,226,483	1,996,053
State assistance	581,345	502,065
<b>Public Support</b>		
Contributions	396,435	464,512
Special events	954,988	990,624
Net assets released from restrictions	4,050	-
<b>Other</b>		
Private pay and insurance	923,796	870,607
Workshop fees	179,935	216,292
Contract service fees	465,874	460,321
Rental income	208,398	171,459
Investment income	66,623	51,598
Loss on disposals of property and equipment	(1,009)	(1,828)
Net appreciation in fair value of investments	44,921	36,917
Miscellaneous	166,400	7,293
<b>Total Unrestricted Support, Revenue, Gains (Losses) and Reclassifications</b>	<u>25,152,893</u>	<u>24,011,518</u>
<b>Expenses</b>		
<b>Program Services</b>		
Children	11,522,126	11,596,167
Adult	9,725,170	8,987,845
	<u>21,247,296</u>	<u>20,584,012</u>
<b>Supporting Services</b>		
Administration	2,159,224	1,923,685
Fundraising	639,727	645,300
	<u>2,798,951</u>	<u>2,568,985</u>
<b>Total Expenses</b>	<u>24,046,247</u>	<u>23,152,997</u>
<b>Increase in Net Assets without Donor Restrictions</b>	<u>1,106,646</u>	<u>858,521</u>

*(Continued)*

See accompanying notes to consolidated financial statements.



# Easterseals Arkansas

## CONSOLIDATED STATEMENTS OF ACTIVITIES *(Continued)*

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
<b>Public Support</b>		
Contributions	\$ 10,000	\$ 19,749
Net appreciation in fair value of investments	1,472	18,444
Net assets released from restrictions	<u>(4,050)</u>	<u>-</u>
<b>Increase in Net Assets with Donor Restrictions</b>	<u>7,422</u>	<u>38,193</u>
<b>INCREASE IN TOTAL NET ASSETS</b>	1,114,068	896,714
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>22,324,366</u>	<u>21,427,652</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 23,438,434</u></u>	<u><u>\$ 22,324,366</u></u>

See accompanying notes to consolidated financial statements.

## Easterseals Arkansas

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2019

	<b>Program Expenses</b>		<b>Total Program Expenses</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Expenses</b>
	<b>Children</b>	<b>Adult</b>				
Salaries	\$ 7,402,189	\$ 6,837,050	\$ 14,239,239	\$ 931,263	\$ 262,579	\$ 15,433,081
Payroll taxes and benefits	1,044,039	914,668	1,958,707	136,993	43,503	2,139,203
Professional fees	967,071	382,697	1,349,768	556,975	24,439	1,931,182
Supplies	781,269	199,231	980,500	51,572	277,221	1,309,293
Taxes and licenses	318,010	79,453	397,463	28,121	-	425,584
Telephone	42,406	46,890	89,296	18,936	1,152	109,384
Postage and shipping	3,860	2,654	6,514	4,964	3,114	14,592
Occupancy	183,636	108,931	292,567	23,611	5,109	321,287
Insurance	87,757	66,039	153,796	77,607	1,854	233,257
Printing	480	391	871	-	62	933
Transportation and travel	67,813	35,954	103,767	1,494	144	105,405
Employee recruitment/retention	28,676	24,854	53,530	4,762	752	59,044
Staff development	32,812	20,894	53,706	3,146	-	56,852
Specific assistance to individuals	-	270,451	270,451	3,166	-	273,617
National dues and subscriptions	-	-	-	56,622	-	56,622
Other dues and subscriptions	10,346	385	10,731	22,233	250	33,214
Repairs and maintenance	118,173	180,288	298,461	25,000	4,979	328,440
Interest	659	168,778	169,437	5,379	-	174,816
Miscellaneous	113	-	113	61,394	-	61,507
Provision for uncollectible accounts	116,000	32,521	148,521	98,660	2,500	249,681
Depreciation and amortization	316,817	353,041	669,858	47,326	12,069	729,253
<b>Total Expenses</b>	<b>\$ 11,522,126</b>	<b>\$ 9,725,170</b>	<b>\$ 21,247,296</b>	<b>\$ 2,159,224</b>	<b>\$ 639,727</b>	<b>\$ 24,046,247</b>

See accompanying notes to consolidated financial statements.

## Easterseals Arkansas

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2018

	<u>Program Expenses</u>		<u>Total Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Children</u>	<u>Adult</u>				
Salaries	\$ 7,284,837	\$ 6,175,875	\$ 13,460,712	\$ 922,496	\$ 246,794	\$ 14,630,002
Payroll taxes and benefits	1,108,753	917,761	2,026,514	141,622	45,075	2,213,211
Professional fees	1,136,831	317,008	1,453,839	485,679	36,734	1,976,252
Supplies	660,636	209,148	869,784	56,261	282,607	1,208,652
Taxes and licenses	321,426	80,738	402,164	25,565	-	427,729
Telephone	54,924	45,314	100,238	20,396	1,424	122,058
Postage and shipping	3,747	2,703	6,450	4,552	3,547	14,549
Occupancy	184,736	106,052	290,788	23,344	5,122	319,254
Insurance	81,290	73,011	154,301	78,979	2,219	235,499
Printing	492	546	1,038	-	3,507	4,545
Transportation and travel	91,187	39,645	130,832	2,523	357	133,712
Employee recruitment/retention	24,153	23,611	47,764	7,688	553	56,005
Staff development	33,833	1,553	35,386	6,221	-	41,607
Specific assistance to individuals	-	276,526	276,526	2,963	-	279,489
National dues and subscriptions	-	-	-	38,940	-	38,940
Other dues and subscriptions	11,280	1,109	12,389	22,114	-	34,503
Repairs and maintenance	186,490	164,154	350,644	15,383	4,399	370,426
Interest	9,561	172,891	182,452	8,672	-	191,124
Miscellaneous	(325)	325	-	2,804	-	2,804
Provision for uncollectible accounts	97,855	18,116	115,971	-	2,500	118,471
Depreciation and amortization	304,461	361,759	666,220	57,483	10,462	734,165
<b>Total Expenses</b>	<u>\$ 11,596,167</u>	<u>\$ 8,987,845</u>	<u>\$ 20,584,012</u>	<u>\$ 1,923,685</u>	<u>\$ 645,300</u>	<u>\$ 23,152,997</u>

See accompanying notes to consolidated financial statements.

# Easterseals Arkansas

## CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended June 30, 2019 and 2018

<b>Increase in Total Net Assets</b>	\$ 1,114,068	\$ 896,714
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation and amortization expense	729,253	734,165
Loss on disposals of property and equipment	1,009	1,828
Net appreciation in fair value of investments	(44,921)	(36,917)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(1,810,185)	(451,543)
Contributions receivable	17,823	(55,058)
Other receivables	1,216	(9,761)
Prepaid expenses and other assets	(49,163)	(55,651)
Accounts payable	230,179	31,369
Accrued expenses and other liabilities	2,872	(5,045)
<b>Net Cash Provided by Operating Activities</b>	<u>192,151</u>	<u>1,050,101</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(195,117)	(278,145)
Purchases of investments	(150,069)	(141,164)
Proceeds from sales of property and equipment	2,753	-
Proceeds from sales and maturities of investments	42,928	33,667
<b>Net Cash Used by Investing Activities</b>	<u>(299,505)</u>	<u>(385,642)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	(38,383)	(78,399)
Payments on long-term obligations	(220,410)	(491,037)
<b>Net Cash Used by Financing Activities</b>	<u>(258,793)</u>	<u>(569,436)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(366,147)	95,023
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,755,432</u>	<u>2,660,409</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,389,285</u></u>	<u><u>\$ 2,755,432</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>		
Cash and cash equivalents - unrestricted	\$ 1,877,519	\$ 2,257,458
Cash and cash equivalents - restricted	511,766	497,974
<b>Total Cash and Cash Equivalents</b>	<u><u>\$ 2,389,285</u></u>	<u><u>\$ 2,755,432</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest expense incurred and paid	<u><u>\$ 178,816</u></u>	<u><u>\$ 203,171</u></u>
Purchases of property and equipment included in accounts payable	<u><u>\$ 129,157</u></u>	<u><u>\$ -</u></u>

See accompanying notes to consolidated financial statements.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **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**

#### **(a) 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.

#### **(b) 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.

#### **(c) 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.

#### **(d) Cash and Cash Equivalents**

For the purposes of the consolidated statements of cash flow, ESA considers all short term investment funds and highly liquid debt instruments purchased with original maturity date of three months or less to be cash equivalents. At times during 2019 and 2018, cash and cash equivalent 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 institutional failure, account

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(d) Cash and Cash Equivalents (Continued)**

balances exceeding FDIC or SIPC insurance may not be recoverable. At June 30, 2019 and 2018, the Organization's account balances totaled approximately \$2,438,000 and \$2,947,000, respectively. Of these balances, approximately \$961,000 and \$1,506,000 at June 30, 2019 and 2018, respectively, were not insured by the FDIC or SIPC, nor were they collateralized.

#### **(e) 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.

#### **(f) 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.

#### **(g) 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.

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 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

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(g) Contributions (Continued)**

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, 2019 and 2018 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, 2019 and 2018 all contributions receivable are expected to be collected within one year.

#### **(h) Revenue Recognition**

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.

#### **(i) 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.

#### **(j) 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.

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, 2019 and 2018 is approximately \$70,700 and \$81,800, respectively.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(k) 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.

#### **(l) 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, 2019 and 2018, 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.

#### **(m) Recently Adopted Accounting Standards**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. The Agency adopted provisions of ASU No. 2016-14 during the year ended June 30, 2019. In addition to the changes in terminology used to describe the categories of net assets throughout the consolidated financial statements, new statements of functional expenses by natural classification, disclosures of liquidity and availability of resources are now presented.

#### **(n) Recently Issued Accounting Standards**

In May 2014, FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers*, which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue recognition standard, which will become effective for the Organization on July 1, 2019, generally affects all entities that either enter into contracts with customers to transfer goods, services or nonfinancial assets. Implementation of the requirements of this standard will require that the Organization 1) identify all contracts with customers, 2) identify performance obligations in the contracts, 3) determine the transaction price, 4) allocate the transaction price, and



# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(n) Recently Issued Accounting Standards (Continued)**

5) recognize revenue when or as performance obligations are satisfied. Management of the Organization has not yet determined the significance of the impact that implementation of this standard or any related amendments will have on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments for all leases with a term greater than one year. This new standard is effective for the Organization on July 1, 2021. Management of the Organization has not yet determined the significance of the impact that implementation of this standard or any related amendments will have on the Organization's consolidated financial statements.

In June 2018, FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update primarily affect not-for-profit entities but apply to all entities, including business entities that receive or make contributions of cash and other assets. Transfers of assets from government entities to business entities are expressly excluded from the scope of this update. The amendments in this update will be applied by the Organization on a modified prospective basis effective July 1, 2019. Management has not yet determined the significance of the impact that implementation of the amendments in this update will have on the Organization's financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update became effective for the Company on July 1, 2019. Management of the Company has not yet determined the significance of the impact of implementation of this standard or any related amendments.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### 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**

##### **(a) Bond Funds**

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

##### **(b) 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.

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>2019</u>	<u>2018</u>
Bond funds	\$ 72,698	\$ 93,302
Debt service reserve funds	<u>162,231</u>	<u>159,404</u>
	<u>\$ 234,929</u>	<u>\$ 252,706</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 \$277,000 and \$245,000 at June 30, 2019 and 2018, 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.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

### **NOTE 4: FAIR VALUE MEASUREMENTS (Continued)**

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.

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, 2019 and 2018.

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 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.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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

	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 84,763	\$ 84,763	\$ -	\$ -
Small value	14,315	14,315	-	-
Small growth	54,398	54,398	-	-
Mid-cap growth	8,081	8,081	-	-
Mid-cap blend	8,028	8,028	-	-
Large value	29,973	29,973	-	-
Large growth	30,038	30,038	-	-
Corporate bonds	114,432	114,432	-	-
High-yield bond	10,004	10,004	-	-
Ultrasort bond	200,663	200,663	-	-
Intermediate term bond	171,465	171,465	-	-
Energy limited partnership	12,468	12,468	-	-
Foreign large blend	8,041	8,041	-	-
World blend	19,994	19,994	-	-
Total mutual funds	766,663	766,663	-	-
U.S. Treasury Notes	49,535	\$ 49,535	\$ -	\$ -
Exchange traded funds:				
Small growth	84,165	84,165	-	-
Mid-cap value	69,700	69,700	-	-
Mid-cap growth	93,824	93,824	-	-
Large value	323,374	323,374	-	-
Small blend	8,935	8,935	-	-
Large blend	46,606	46,606	-	-
Foreign large blend	4,733	4,733	-	-
Large growth	150,572	150,572	-	-
Financial	39,564	39,564	-	-
Short-term bond	212,349	212,349	-	-
Preferred stock	129,830	129,830	-	-
Corporate bonds	100,183	100,183	-	-
Total exchange traded funds	1,263,835	1,263,835	-	-

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

June 30, 2019				
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Basic materials	\$ 62,430	\$ 62,430	\$ -	\$ -
Financial	35,283	35,283	-	-
Healthcare	21,534	21,534	-	-
Services	917	917	-	-
Communication	11,426	11,426	-	-
Consumer goods	30,172	30,172	-	-
Technology	62,030	62,030	-	-
Total equity securities	223,792	223,792	-	-
Total Investments	\$ 2,303,825	\$ 2,303,825	\$ -	\$ -

June 30, 2018				
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 76,542	\$ 76,542	\$ -	\$ -
Small value	10,816	10,816	-	-
Small growth	47,550	47,550	-	-
Mid-cap growth	6,168	6,168	-	-
Mid-cap blend	6,179	6,179	-	-
Large value	22,651	22,651	-	-
Large growth	23,523	23,523	-	-
Corporate bonds	111,889	111,889	-	-
High-yield bond	7,750	7,750	-	-
Ultrashort bond	196,090	196,090	-	-
Intermediate term bond	154,880	154,880	-	-
Energy limited partnership	13,081	13,081	-	-
Foreign large blend	6,005	6,005	-	-
World blend	15,093	15,093	-	-
Total mutual funds	698,217	698,217	-	-

(Continued)

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 39,629	\$ 39,629	\$ -	\$ -
Exchange traded funds:				
Small growth	85,614	85,614	-	-
Mid-cap value	69,199	69,199	-	-
Mid-cap growth	83,388	83,388	-	-
Large value	303,322	303,322	-	-
Small blend	7,357	7,357	-	-
Large blend	40,136	40,136	-	-
Foreign large blend	4,822	4,822	-	-
Large growth	133,704	133,704	-	-
Financial	36,915	36,915	-	-
Short-term bond	210,648	210,648	-	-
Preferred stock	129,851	129,851	-	-
Corporate bonds	93,125	93,125	-	-
Total exchange traded funds	1,198,081	1,198,081	-	-
Equity securities:				
Basic materials	66,967	66,967	-	-
Financial	29,893	29,893	-	-
Healthcare	20,357	20,357	-	-
Services	1,505	1,505	-	-
Industrials	38	38	-	-
Communication	23,002	23,002	-	-
Consumer goods	24,015	24,015	-	-
Technology	50,059	50,059	-	-
Total equity securities	215,836	215,836	-	-
Total Investments	\$ 2,151,763	\$ 2,151,763	\$ -	\$ -

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 5: GRANTS AND CONTRACTS RECEIVABLE, NET

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

	2019	2018
Medicaid	\$ 3,524,465	\$ 1,683,771
Federal awards	124,724	56,753
State assistance	20,742	58,504
Private pay and insurance	31,308	69,199
Contract service fees	138,301	58,901
	3,839,540	1,927,128
Less allowance for uncollectible receivables	(356,856)	(254,629)
	<u>\$ 3,482,684</u>	<u>\$ 1,672,499</u>

### NOTE 6: PROPERTY AND EQUIPMENT, NET

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

	2019	2018
Buildings and improvements	\$ 22,677,966	\$ 22,677,966
Furniture and equipment	3,213,792	3,355,388
Vehicles	520,587	586,314
	26,412,345	26,619,668
Less accumulated depreciation and amortization	(11,250,423)	(10,836,985)
	15,161,922	15,782,683
Land and nondepreciable land improvements	5,307,953	5,307,953
Construction in progress	212,020	-
	<u>\$ 20,681,895</u>	<u>\$ 21,090,636</u>

### NOTE 7: LONG-TERM OBLIGATIONS

On October 1, 1997, the Pulaski County Public Facilities Board (the County) issued a \$6,000,000 revenue bond (the 1997 Facility Bond) to finance the construction of a forty-bed children's rehabilitation center. Under a loan agreement executed on that date, the County agreed to lend the proceeds of the 1997 Facility Bond to the Organization to construct the facility.

On December 16, 2011, the 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.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 7: LONG-TERM OBLIGATIONS (Continued)

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, 2019 and 2018.

The Organization's long-term obligations at June 30, are as follows:

	<u>2019</u>	<u>2018</u>
\$6,000,000 revenue bond payable, dated October 1, 1997; fixed interest rate of 2.02% through October 2018; principal payments through October 2018 at varying amounts; secured by a mortgage on certain buildings and land with a net book value of \$6,013,050 at June 30, 2019.	\$ -	\$ 64,878
\$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 \$8,251,117 at June 30, 2019.	<u>3,760,411</u>	<u>3,915,943</u>
	<u>\$ 3,760,411</u>	<u>\$ 3,980,821</u>

Scheduled principal payments for these long-term obligations during the fiscal years subsequent to June 30, 2019, are as follows:

2020	\$ 204,161
2021	137,917
2022	148,750
2023	160,833
2024	173,750
Thereafter	<u>2,935,000</u>
	<u>\$ 3,760,411</u>

### NOTE 8: CAPITAL LEASE OBLIGATIONS

On, May 27, 2015, the Organization entered into an equipment lease agreement to acquire a new cooling unit, requiring 60 monthly payments with the term beginning on the date the equipment was delivered. The unit was initially recorded at the present value of the future minimum lease payments with effective interest rate of 6.80%.



# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS June 30, 2019 and 2018

### NOTE 8: CAPITAL LEASE OBLIGATIONS (Continued)

The equipment and unit are being amortized over their useful lives, which management estimates to be three and fifteen years, respectively. The net book value of the equipment being amortized was approximately \$55,400 and \$93,800, respectively, at June 30, 2019 and 2018.

Minimum lease payments for these capital leases during fiscal years subsequent to June 30, 2019, are as follows:

2020	\$ 43,579
2021	18,158
2022	-
	<hr/> 61,737
Amount representing interest	(6,323)
	<hr/>
Present value of minimum lease payments	<u>\$ 55,414</u>

Approximately \$5,400 and 9,000 of interest related to these capital leases has been included in interest expense for the year ended June 30, 2019 and 2018, respectively.

### NOTE 9: 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 Garden's 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, 2019 and 2018

### NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

#### Net Assets Donor Restricted to the Passage of Time (Continued)

Net assets restricted to the passage of time at June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</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, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Net Assets Donor Restricted to Purpose:		
Contributions for specific supplies	\$ 25,672	\$ 29,722
Contributions for scholarships to Grand Prairie		
Child Development Center	152,040	140,568
Total net assets donor restricted to purpose	<u>\$ 177,712</u>	<u>\$ 170,290</u>

#### Net assets restricted in Perpetuity

Net assets restricted in perpetuity at June 30, 2019 and 2018, include approximately \$65,000 of 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 to enhance the independence or lifestyle of a disabled individual. The remaining balance of net assets restricted in perpetuity of approximately \$10,000 is attributable to the Infant Scholarship Fund, the income of which is used to provide financial assistance to those infants in the Organization's outpatient therapy program whose families are unable to pay for needed services.

### NOTE 10: 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, 2019 and 2018, the Board of Directors approved a 3.00% match contribution to participating employees.

# Easterseals Arkansas

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

### NOTE 10: RETIREMENT BENEFITS (Continued)

The Organization also provides a deferred compensation plan for its current and former President/CEO that provides periodic payments over an agreed-upon period after separation of this plan. During the year ended June 30, 2019 and 2018, the Board of Directors approved contributions of approximately \$18,000 and \$18,500, respectively. Plan assets totaled approximately \$416,000 and \$348,000, respectively, at June 30, 2019 and 2018, 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 11: 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 12: 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:

	2019	2018
Cash and cash equivalents - unrestricted	\$ 1,877,519	\$ 2,257,458
Cash and cash equivalents - restricted	511,766	497,974
Grants and contracts receivable, net	3,482,684	1,672,499
Contributions receivable	53,458	71,281
Other receivables	18,359	19,575
Investments	2,303,825	2,151,763
Total financial assets	8,247,611	6,670,550
Less:		
Net assets donor restricted to passage of time	(4,811,800)	(4,811,800)
Net assets donor restricted to purpose	(177,712)	(170,290)
Net assets donor restricted in perpetuity	(75,097)	(75,097)
Restricted cash and equivalents	(511,766)	(497,974)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,671,236	\$ 1,115,389

## **Easterseals Arkansas**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

#### ***NOTE 13: SUBSEQUENT EVENTS***

Management has evaluated subsequent events through March 4, 2020, the date the consolidated financial statements were available to be issued. There were no 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, 2019

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
<b>SUPPORT, REVENUE AND GAINS (LOSSES)</b>							
<b>Fees and Grants from Government Agencies</b>							
Medicaid	\$ 9,476,245	\$ 9,458,409	\$ 18,934,654	\$ -	\$ -	\$ -	\$ 18,934,654
Federal awards	1,187,973	1,038,510	2,226,483	-	-	-	2,226,483
State assistance	353,078	228,267	581,345	-	-	-	581,345
<b>Public Support</b>							
Contributions	23,672	7,501	31,173	327	374,935	375,262	406,435
Special events	-	-	-	-	954,988	954,988	954,988
<b>Other</b>							
Private pay and insurance	800,513	123,283	923,796	-	-	-	923,796
Workshop fees	179,935	-	179,935	-	-	-	179,935
Contract service fees	465,874	-	465,874	-	-	-	465,874
Rental income	-	181,081	181,081	27,317	-	27,317	208,398
Investment income	-	630	630	7,607	58,386	65,993	66,623
Loss on disposal of property and equipment	-	-	-	(1,009)	-	(1,009)	(1,009)
Net appreciation (depreciation) in fair value of investments	-	-	-	(1,107)	47,500	46,393	46,393
Miscellaneous	3,662	5,900	9,562	156,605	233	156,838	166,400
<b>Total Support, Revenue and Gains (Losses)</b>	12,490,952	11,043,581	23,534,533	189,740	1,436,042	1,625,782	25,160,315

*(Continued)*

See Independent Auditor's Report.

# Easterseals Arkansas

## COMBINING SCHEDULE OF SUPPORT, REVENUE AND DIRECT EXPENSES *(Continued)* Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
DIRECT EXPENSES							
Salaries	\$ 7,402,189	\$ 6,837,050	\$ 14,239,239	\$ 931,263	\$ 262,579	\$ 1,193,842	\$ 15,433,081
Payroll taxes and benefits	1,044,039	914,668	1,958,707	136,993	43,503	180,496	2,139,203
Professional fees	967,071	382,697	1,349,768	556,975	24,439	581,414	1,931,182
Supplies	781,269	199,231	980,500	51,572	277,221	328,793	1,309,293
Taxes and licenses	318,010	79,453	397,463	28,121	-	28,121	425,584
Telephone	42,406	46,890	89,296	18,936	1,152	20,088	109,384
Postage and shipping	3,860	2,654	6,514	4,964	3,114	8,078	14,592
Occupancy	183,636	108,931	292,567	23,611	5,109	28,720	321,287
Insurance	87,757	66,039	153,796	77,607	1,854	79,461	233,257
Printing	480	391	871	-	62	62	933
Transportation and travel	67,813	35,954	103,767	1,494	144	1,638	105,405
Employee recruitment/retention	28,676	24,854	53,530	4,762	752	5,514	59,044
Staff development	32,812	20,894	53,706	3,146	-	3,146	56,852
Specific assistance to individuals	-	270,451	270,451	3,166	-	3,166	273,617
National dues and subscriptions	-	-	-	56,622	-	56,622	56,622
Other dues and subscriptions	10,346	385	10,731	22,233	250	22,483	33,214
Repairs and maintenance	118,173	180,288	298,461	25,000	4,979	29,979	328,440
Interest	659	168,778	169,437	5,379	-	5,379	174,816
Miscellaneous	113	-	113	61,394	-	61,394	61,507
Provision for uncollectible accounts	116,000	32,521	148,521	98,660	2,500	101,160	249,681
Depreciation and amortization	316,817	353,041	669,858	47,326	12,069	59,395	729,253
Total Direct Expenses	11,522,126	9,725,170	21,247,296	2,159,224	639,727	2,798,951	24,046,247
Excess of Revenue and Support over Direct Expenses/(Excess of Direct Expenses over Revenue and Support)	\$ 968,826	\$ 1,318,411	\$ 2,287,237	\$ (1,969,484)	\$ 796,315	\$ (1,173,169)	\$ 1,114,068

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF SUPPORT, REVENUE AND DIRECT EXPENSES

### Children Services Division

Year Ended June 30, 2019

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
<b>SUPPORT, REVENUE AND GAINS</b>								
<b>Fees and Grants from Government Agencies</b>								
Medicaid	\$ 1,765,132	\$ 1,087,013	\$ 506,464	\$ -	\$ 11,654	\$ -	\$ 6,105,982	\$ 9,476,245
Federal awards	-	12,226	840	1,174,907	-	-	-	1,187,973
State assistance	-	-	-	53,000	-	140,113	159,965	353,078
<b>Public Support</b>								
Contributions	8,982	3,753	-	9	6,578	-	4,350	23,672
<b>Other</b>								
Private pay and insurance	420,203	75,498	7,683	-	217,273	-	79,856	800,513
Workshop fees	-	-	-	179,935	-	-	-	179,935
Contract service fees	-	-	-	-	-	465,874	-	465,874
Miscellaneous	923	2,739	-	-	-	-	-	3,662
<b>Total Support, Revenue and Gains</b>	<b>2,195,240</b>	<b>1,181,229</b>	<b>514,987</b>	<b>1,407,851</b>	<b>235,505</b>	<b>605,987</b>	<b>6,350,153</b>	<b>12,490,952</b>
<b>DIRECT EXPENSES</b>								
Salaries	1,408,641	846,825	344,162	883,933	318,522	372,570	3,227,536	7,402,189
Payroll taxes and benefits	192,408	110,629	54,510	123,312	40,450	51,749	470,981	1,044,039
Professional fees	345,388	69,184	36,134	22,632	20,062	22,569	451,102	967,071
Supplies	26,011	77,145	45,139	101,038	19,533	7,681	504,722	781,269
Taxes and licenses	-	-	-	-	-	-	318,010	318,010
Telephone	5,420	3,526	7,409	5,093	3,871	2,310	14,777	42,406
Postage and shipping	984	313	24	638	46	20	1,835	3,860
Occupancy	19,936	19,566	21,363	12,101	22,273	10,392	78,005	183,636
Insurance	10,399	7,103	3,611	10,138	13,593	4,220	38,693	87,757

(Continued)

See Independent Auditor's Report.



# Easterseals Arkansas

## SCHEDULE OF SUPPORT, REVENUE AND DIRECT EXPENSES *(Continued)* *Children Services Division (Continued)* Year Ended June 30, 2019

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
<b>DIRECT EXPENSES <i>(Continued)</i></b>								
Printing	\$ -	\$ -	\$ -	\$ 448	\$ 32	\$ -	\$ -	\$ 480
Transportation and travel	2,454	470	4,162	49,593	1,566	-	9,568	67,813
Employee recruitment/retention	2,687	6,311	872	1,411	1,677	2,786	12,932	28,676
Staff development	9,107	2,873	3,734	4,842	1,141	3,035	8,080	32,812
Other dues and subscriptions	2,863	-	-	3,393	515	-	3,575	10,346
Repairs and maintenance	15,769	19,160	5,805	10,777	18,586	1,109	46,967	118,173
Interest	4,493	-	-	-	-	27	(3,861)	659
Miscellaneous	130	67	-	(5,009)	875	3,250	800	113
Provision for uncollectible accounts	78,000	15,000	8,000	-	5,000	-	10,000	116,000
Depreciation and amortization	32,862	46,537	11,484	59,179	561	14,990	151,204	316,817
<b>Total Direct Expenses</b>	<b>2,157,552</b>	<b>1,224,709</b>	<b>546,409</b>	<b>1,283,519</b>	<b>468,303</b>	<b>496,708</b>	<b>5,344,926</b>	<b>11,522,126</b>
<b>ALLOCATION OF ADMINISTRATIVE COST</b>	<b>221,337</b>	<b>151,741</b>	<b>47,059</b>	<b>110,542</b>	<b>40,332</b>	<b>42,779</b>	<b>460,331</b>	<b>1,074,121</b>
<b>Total Expenses and Allocation</b>	<b>2,378,889</b>	<b>1,376,450</b>	<b>593,468</b>	<b>1,394,061</b>	<b>508,635</b>	<b>539,487</b>	<b>5,805,257</b>	<b>12,596,247</b>
	<u>\$ (183,649)</u>	<u>\$ (195,221)</u>	<u>\$ (78,481)</u>	<u>\$ 13,790</u>	<u>\$ (273,130)</u>	<u>\$ 66,500</u>	<u>\$ 544,896</u>	<u>\$ (105,295)</u>

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF SUPPORT, REVENUE AND DIRECT EXPENSES

*Adult Services Division*  
Year Ended June 30, 2019

	Adult Day Program	Residential	Community Services	Armistead Apartments	Charlotte Gardens Apartments	Wilson Court II Apartments	Harold Court Apartments	Total
<b>SUPPORT, REVENUE AND GAINS</b>								
<b>Fees and Grants from Government Agencies</b>								
Medicaid	\$ 1,451,373	\$ 717,997	\$ 7,287,008	\$ 2,031	\$ -	\$ -	\$ -	\$ 9,458,409
Federal awards	743,496	-	-	94,677	65,108	79,582	55,647	1,038,510
State assistance	227,781	-	486	-	-	-	-	228,267
<b>Public Support</b>								
Contributions	7,501	-	-	-	-	-	-	7,501
<b>Other</b>								
Private pay and insurance	27,338	95,945	-	-	-	-	-	123,283
Rental income	17,840	-	-	38,635	45,458	39,405	39,743	181,081
Investment income	-	-	-	124	147	182	177	630
Miscellaneous	1,650	-	-	2,225	600	1,075	350	5,900
<b>Total Support, Revenue and Gains</b>	<b>2,476,979</b>	<b>813,942</b>	<b>7,287,494</b>	<b>137,692</b>	<b>111,313</b>	<b>120,244</b>	<b>95,917</b>	<b>11,043,581</b>
<b>DIRECT EXPENSES</b>								
Salaries	1,201,435	395,811	5,059,473	50,328	43,077	43,447	43,479	6,837,050
Payroll taxes and benefits	173,866	58,150	658,019	6,178	5,947	6,419	6,089	914,668
Professional fees	267,124	16,937	42,160	14,119	14,119	14,119	14,119	382,697
Supplies	103,517	53,132	16,993	7,699	5,836	5,067	6,987	199,231
Taxes and licenses	-	79,453	-	-	-	-	-	79,453
Telephone	23,702	4,016	8,213	2,350	2,189	2,182	4,238	46,890
Postage and shipping	871	269	1,163	109	99	74	69	2,654
Occupancy	43,130	13,567	6,707	14,997	10,712	9,136	10,682	108,931
Insurance	24,301	7,113	2,435	9,244	8,009	8,443	6,494	66,039
Printing	263	-	-	32	32	32	32	391
Transportation and travel	18,076	3,844	7,412	2,526	1,402	1,401	1,293	35,954
Employee recruitment/retention	3,601	2,079	18,834	166	19	101	54	24,854

*(Continued)*

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF SUPPORT, REVENUE AND DIRECT EXPENSES *(Continued)* *Adult Services Division (Continued)* Year Ended June 30, 2019

	Adult Day Program	Residential	Community Services	Armistead Apartments	Charlotte Gardens Apartments	Wilson Court II Apartments	Harold Court Apartments	Total
<b>DIRECT EXPENSES <i>(Continued)</i></b>								
Staff development	\$ 2,154	\$ 1,428	\$ 14,457	\$ 1,295	\$ 520	\$ 520	\$ 520	\$ 20,894
Specific assistance to individuals	-	-	270,451	-	-	-	-	270,451
Other dues and subscriptions	185	200	-	-	-	-	-	385
Repairs and maintenance	50,767	17,807	6,535	32,502	19,762	20,764	32,151	180,288
Interest	168,778	-	-	-	-	-	-	168,778
Miscellaneous	(83,353)	83,353	-	-	-	-	-	-
Provision for uncollectible accounts	4,000	500	25,000	1,361	-	1,660	-	32,521
Depreciation and amortization	185,557	18,798	12,768	25,819	27,363	36,514	46,222	353,041
<b>Total Direct Expenses</b>	<b>2,187,974</b>	<b>756,457</b>	<b>6,150,620</b>	<b>168,725</b>	<b>139,086</b>	<b>149,879</b>	<b>172,429</b>	<b>9,725,170</b>
<b>ALLOCATION OF ADMINISTRATIVE COST</b>	<b>188,437</b>	<b>65,150</b>	<b>545,573</b>	<b>14,531</b>	<b>11,978</b>	<b>12,908</b>	<b>14,850</b>	<b>853,427</b>
<b>Total Expenses and Allocation</b>	<b>2,376,411</b>	<b>821,607</b>	<b>6,696,193</b>	<b>183,256</b>	<b>151,064</b>	<b>162,787</b>	<b>187,279</b>	<b>10,578,597</b>
	<u>\$ 100,568</u>	<u>\$ (7,665)</u>	<u>\$ 591,301</u>	<u>\$ (45,564)</u>	<u>\$ (39,751)</u>	<u>\$ (42,543)</u>	<u>\$ (91,362)</u>	<u>\$ 464,984</u>

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF PROGRAM UNITS OF SERVICE

Year Ended June 30, 2019

		Number of Program Units of Service Provided				
		Medicaid	Federal Awards	State Awards	Private Pay	Total
40-bed residential:						
ICF/MR	Day	14,521	-	-	-	14,521
RSPD	Day	116	-	-	-	116
10-bed residential ICF/MR	Day	3,628	-	-	-	3,628
Adult development	Hour	136,760	-	5,824	684	143,268
Preschool	Hour	97,184	-	-	-	97,184
Transportation	Mile	1,931	-	-	-	1,931
Transportation	Day	-	-	-	242	242
Work activity	Hour	-	-	19,115	-	19,115
USDA - Lunch	Meal	-	24,613	-	201	24,814
USDA - Snack	Meal	-	26,817	-	206	27,023

See Independent Auditor's Report.

**Other Reports  
and  
Supplemental Information**



**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**

**Independent Auditor's Report**

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, 2019, and the related 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 4, 2020.

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**Landmark PLC**  
Certified Public Accountants

Certified Public Accountants

March 4, 2020  
Little Rock, Arkansas



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

The Board of Directors  
Easterseals Arkansas  
Little Rock, Arkansas

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of **Easterseals Arkansas** and affiliates (collectively "**the Organization**") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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.

  
Certified Public Accountants

Certified Public Accountants

March 4, 2020  
Little Rock, Arkansas

# Easterseals Arkansas

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2019

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>EXPENDITURES</b>		
<b>U.S. Department of Agriculture</b>		
Passed through Arkansas Department of Human Services:		
DCCECE - Child and Adult Care Food Program	10.558	<u>\$ 112,390</u>
<b>U.S. Department of Housing and Urban Development</b>		
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Armistead Apartments, Inc.)	14.181	94,677
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Charlotte Gardens, Inc.)	14.181	65,108
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Wilson Court II)	14.181	79,582
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Harold Court)	14.181	<u>55,647</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>295,014</u>
<b>U.S. Department of Education</b>		
Passed through Arkansas Department of Education:		
Special Education Cluster:		
Special Education – Grants to States (IDEA, Part B):		
Outreach	84.027	<u>1,174,907</u>
Passed through Arkansas Rehabilitation Services:		
Rehabilitation Services – Vocational Rehabilitation Grants to States:		
Academics, Community, Career Development and		
Employment program	84.126	72,404
High School Transition	84.126	448,580
Supportive Employment	84.126	<u>35,415</u>
		<u>556,399</u>
<b>Total U.S. Department of Education</b>		<u>1,731,306</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Arkansas Department of Human Services:		
Child Care and Development Block Grant	93.575	4,249
Foster Care – Title IV-E	93.658	8,403
Social Services Block Grant - Service Operational Contract	93.667	74,708
DAAS - Money Follows the Person	93.791	<u>413</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>87,773</u>
<b>Total Expenditures</b>		<u><u>\$ 2,226,483</u></u>

(Continued)

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)* Year Ended June 30, 2019

	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>CAPITAL ADVANCES</b>		
<b>U.S. Department of Housing and Urban Development</b>		
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	1,237,500
Supportive Housing for Persons with Disabilities (Section 811) – Capital Advance (Harold Court)	14.181	<u>1,491,000</u>
<b>Total Capital Advances</b>		<u><u>\$ 4,559,800</u></u>

### 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, 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). 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.

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, 2019 was \$18,934,654.

### 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: 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.

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF STATE ASSISTANCE Year Ended June 30, 2019

	<u>Revenues</u>	<u>Expenditures</u>
<b>STATE ASSISTANCE</b>		
<b>Arkansas Department of Human Services</b>		
Division of Developmental Disabilities Services – Service Operational Contract	\$ 77,679	\$ 77,679
Foster Care - State	159,965	159,965
<b>Total Arkansas Department of Human Services</b>	<u>237,644</u>	<u>237,644</u>
<b>Arkansas Department of Education</b>		
Arkansas Department of Education	193,113	193,113
<b>Total Arkansas Department of Education</b>	<u>193,113</u>	<u>193,113</u>
<b>Arkansas Department of Career Education</b>		
Passed through Arkansas Rehabilitation Services		
Vocational Rehabilitation Grants		
Academics, Community, Career Development and Employment program	19,596	19,596
High School Transition	121,407	121,407
Supportive Employment	9,585	9,585
<b>Total Arkansas Department of Career Education</b>	<u>150,588</u>	<u>150,588</u>
<b>Total State Assistance</b>	<u>\$ 581,345</u>	<u>\$ 581,345</u>

See Independent Auditor's Report.

# Easterseals Arkansas

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2019

### Section I - Summary of Auditor's Results

- **Type of Auditor's Report Issued - Consolidated Financial Statements**  
Unmodified opinion
- **Internal Control - Consolidated Financial Statements**  
None
- **Material Noncompliance - Consolidated Financial Statements**  
None
- **Internal Control - Major Programs**  
None
- **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**  
High-risk auditee

### Section II - Audit Findings - Consolidated Financial Statement None

### Section III - Finding and Questioned Costs – Major Federal Award Program Audit None

See Independent Auditor's Report.

# Easterseals Arkansas

## SUMMARY OF PRIOR AUDIT FINDINGS Year Ended June 30, 2019

### ***Material Weakness***

#### *Finding*

#### **2018-1**

#### *Status of Prior Finding*

Management has taken steps to develop and implement new procedures specific to the access and use of the organization's credit cards that requires the review and approval of the organization's credit card activity and payments by a proper member of management prior to payment.

**See Independent Auditor's Report.**