



Easterseals Arkansas

**Consolidated Financial Statements
and
Supplemental Information
June 30, 2023 and 2022**

(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

Opinion

We have audited the 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, 2023 and 2022, 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 Easterseals Arkansas and its controlled affiliates as of June 30, 2023 and 2022, and the 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.

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.

Emphasis-of-Matter

As discussed in Note 2 to the consolidated financial statements, in July 2022, the Organization adopted Accounting Standards Update No. 2016-02, *Leases*, issued by the Financial Accounting Standards Board. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (*Continued*)

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 Responsibilities for the Audit of the Financial Statements

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 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 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 February 29, 2024, 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
February 29, 2024

Consolidated Financial Statements

Easterseals Arkansas

Consolidated Statements of Financial Position June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents - unrestricted	\$ 5,921,235	\$ 1,678,223
Cash and cash equivalents - restricted	545,430	521,403
Investments	2,299,408	2,319,608
Grants and contracts receivable, net	2,996,607	8,599,312
Contributions receivable, net	11,155	55,890
Other receivables	1,546	17,862
Prepaid expenses and other assets	293,395	296,075
Right of use asset, financing	267,434	-
Property and equipment, net	19,997,791	20,265,956
TOTAL ASSETS	\$ 32,334,001	\$ 33,754,329
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 458,697	\$ 685,339
Accrued expenses and other liabilities	2,873,788	2,703,876
Lease liability, financing	267,434	-
Line of credit	-	635,024
Long-term obligations	3,207,396	3,367,396
Total Liabilities	6,807,315	7,391,635
Net Assets		
Without donor restrictions	19,672,338	20,509,459
With donor restrictions	5,854,348	5,853,235
Total Net Assets	25,526,686	26,362,694
TOTAL LIABILITIES AND NET ASSETS	\$ 32,334,001	\$ 33,754,329

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Revenue, Gains (Losses) and Reclassifications		
Fees and Grants from Government Agencies		
Medicaid	\$ 25,605,438	\$ 18,606,617
Federal awards	3,361,174	10,173,557
State assistance	624,415	648,111
Public Support		
Contributed financial assets	659,399	374,885
Contributed nonfinancial assets	146,668	228,916
Special events	1,047,629	956,851
Net assets released from restrictions	19,759	-
Other		
Private pay and insurance	1,871,558	1,445,664
Workshop fees	106,666	90,875
Contract service fees	409,274	362,364
Rental income	255,423	231,747
Investment income	669,360	59,881
Loss on disposals of property and equipment	(2,504)	(2,823)
Net appreciation (depreciation) in fair value of investments	93,389	(286,270)
Miscellaneous	63,725	62,925
Total Unrestricted Support, Revenue, Gains (Losses) and Reclassifications	<u>34,931,373</u>	<u>32,953,300</u>
Expenses		
Program Services		
Children	16,615,792	14,679,225
Adult	14,588,076	11,024,127
	<u>31,203,868</u>	<u>25,703,352</u>
Supporting Services		
Administration	3,676,412	4,794,833
Fundraising	873,414	671,251
	<u>4,549,826</u>	<u>5,466,084</u>
Total Expenses	<u>35,753,694</u>	<u>31,169,436</u>
(Decrease) Increase in Net Assets without Donor Restrictions	<u>(822,321)</u>	<u>1,783,864</u>

(Continued)

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities *(Continued)* Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Public Support		
Contributions	\$ 10,000	\$ 717,855
Net appreciation in fair value of investments	10,872	13,205
Net assets released from restrictions	<u>(19,759)</u>	<u>-</u>
Increase in Net Assets with Donor Restrictions	<u>1,113</u>	<u>731,060</u>
OTHER CHANGES		
Remittance of excess residual receipts to HUD	<u>(14,800)</u>	<u>-</u>
(DECREASE) INCREASE IN TOTAL NET ASSETS	(836,008)	2,514,924
NET ASSETS, BEGINNING OF YEAR	<u>26,362,694</u>	<u>23,847,770</u>
NET ASSETS, END OF YEAR	<u><u>\$ 25,526,686</u></u>	<u><u>\$ 26,362,694</u></u>

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Expenses		Total Program	General and		Total
	Children	Adult	Expenses	Administrative	Fundraising	Expenses
Salaries	\$ 10,184,788	\$ 11,119,230	\$ 21,304,018	\$ 1,466,536	\$ 301,543	\$ 23,072,097
Payroll taxes and benefits	1,702,848	1,586,633	3,289,481	289,708	57,341	3,636,530
Professional fees	2,088,003	162,699	2,250,702	1,161,528	202,358	3,614,588
Supplies	795,109	164,010	959,119	130,931	267,425	1,357,475
Taxes and licenses	314,330	79,905	394,235	45,060	-	439,295
Telephone	12,122	14,358	26,480	2,073	-	28,553
Postage and shipping	3,127	940	4,067	5,546	768	10,381
Occupancy	257,179	133,080	390,259	27,898	4,379	422,536
Insurance	113,380	77,463	190,843	119,893	1,895	312,631
Printing	175	925	1,100	-	1,592	2,692
Transportation and travel	75,546	42,259	117,805	31,912	970	150,687
Employee recruitment/retention	78,051	56,834	134,885	55,984	1,494	192,363
Staff development	84,172	25,336	109,508	11,500	1,750	122,758
Specific assistance to individuals	425	157,006	157,431	2,230	-	159,661
National dues and subscriptions	-	-	-	81,807	-	81,807
Other dues and subscriptions	14,558	587	15,145	29,388	45	44,578
Repairs and maintenance	212,669	252,347	465,016	36,500	4,534	506,050
Interest	3,038	149,173	152,211	86,819	-	239,030
Miscellaneous	265	-	265	8,846	-	9,111
Provision for uncollectible accounts	177,041	159,808	336,849	-	14,549	351,398
Lease expense	42,338	7,145	49,483	6,270	396	56,149
Depreciation and amortization	456,628	398,338	854,966	75,983	12,375	943,324
Total Expenses	\$ 16,615,792	\$ 14,588,076	\$ 31,203,868	\$ 3,676,412	\$ 873,414	\$ 35,753,694

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2022

	<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	\$ 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.

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Consolidated Statements of Cash Flows Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in Total Net Assets	\$ (836,008)	\$ 2,514,924
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and amortization expense	943,324	863,648
Loss on disposals of property and equipment	2,504	2,823
Net (appreciation) depreciation in fair value of investments	(104,261)	273,065
Changes in operating assets and liabilities:		
Grants and contracts receivable	5,602,705	(6,866,145)
Contributions receivable	44,735	16,370
Other receivables	16,316	(7,058)
Prepaid expenses and other assets	2,680	(71,885)
Accounts payable	(226,642)	336,372
Accrued expenses and other liabilities	169,912	334,295
Net Cash Provided (Used) by Operating Activities	<u>5,615,265</u>	<u>(2,603,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(677,663)	(1,108,034)
Purchases of investments	(57,579)	(1,104,613)
Proceeds from sales of property and equipment	-	2,425
Proceeds from sales and maturities of investments	182,040	1,041,081
Net Cash Used by Investing Activities	<u>(553,202)</u>	<u>(1,169,141)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	635,024
Payments on line of credit	(635,024)	-
Payments on capital lease obligations	-	-
Payments on long-term obligations	(160,000)	(148,750)
Net Cash (Used) Provided by Financing Activities	<u>(795,024)</u>	<u>486,274</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,267,039	(3,286,458)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,199,626</u>	<u>5,486,084</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,466,665</u></u>	<u><u>\$ 2,199,626</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents - unrestricted	\$ 5,921,235	\$ 1,678,223
Cash and cash equivalents - restricted	<u>545,430</u>	<u>521,403</u>
Total Cash and Cash Equivalents	<u><u>\$ 6,466,665</u></u>	<u><u>\$ 2,199,626</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest expense incurred and paid	<u><u>\$ 239,030</u></u>	<u><u>\$ 165,223</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Right of use assets obtained in exchange for financing lease liability	<u><u>\$ 286,536</u></u>	<u><u>\$ -</u></u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

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 2023 and 2022, 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 institutional failure, account balances

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

exceeding FDIC or SIPC insurance may not be recoverable. At June 30, 2023 and 2022, the Organization's account balances totaled approximately \$7,008,000 and \$2,357,000, respectively. Of these balances, approximately \$5,360,000 and \$673,000 at June 30, 2023 and 2022, 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

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022, all contributions receivable are expected to be collected within one year.

Revenue and 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.

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.

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, 2023 and 2022

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, 2023 and 2022 is approximately \$147,000 and \$229,000, 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, 2023 and 2022, the accrued liability for self-insured losses is included in accrued expenses and approximates \$298,000 and \$228,000, 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, 2023 and 2022, 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.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to presentation in the 2023 consolidated financial statements.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This ASU requires lessees to record a right-of-use asset and corresponding liability equal to the present value of future rental payments on the Organization's consolidated statements of financial position for all leases with a term greater than one year. The leases will be classified as either finance or operating leases. This distinction will be relevant for the matter of expense recognition in the consolidated statements of financial position. Effective July 1, 2022, the Organization adopted ASU No. 2016-02 for the period ended June 30, 2023, using the optional new transition alternative method without restating prior periods.

The Organization also elected the relief package of practical expedients of which there is no requirements to reassess existence of leases, their classification, and initial direct costs as well as an exemption for short term leases with a term of less than one year. The Organization has elected the practical expedient to not separate lease and non-lease components for all classes of assets. See Note 7.

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, 2023 and 2022

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>2023</u>	<u>2022</u>
Bond funds	\$ 99,785	\$ 96,658
Debt service reserve funds	<u>169,690</u>	<u>164,845</u>
	<u>\$ 269,475</u>	<u>\$ 261,503</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 \$276,000 and \$260,000 at June 30, 2023 and 2022, 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: <ul style="list-style-type: none">• 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, 2023 and 2022

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, 2023 and 2022.

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, 2023			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Small growth	\$ 42,737	\$ 42,737	\$ -	\$ -
Corporate bonds	56,491	56,491	-	-
Ultrashort bond	238,431	238,431	-	-
Bank loans	521,851	521,851	-	-
Total mutual funds	<u>\$ 859,510</u>	<u>\$ 859,510</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2023			
	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 29,837	\$ 29,837	\$ -	\$ -
Exchange traded funds:				
Small growth	69,401	69,401	-	-
Small cap	6,235	6,235	-	-
Mid-cap value	172,339	172,339	-	-
Mid-cap growth	103,394	103,394	-	-
Large value	365,838	365,838	-	-
Large blend	64,295	64,295	-	-
Large growth	118,183	118,183	-	-
Financial	79,460	79,460	-	-
Preferred stock	96,788	96,788	-	-
Corporate bonds	100,763	100,763	-	-
Total exchange traded funds	1,176,696	1,176,696	-	-
Equity securities:				
Basic materials	87,080	87,080	-	-
Financial	42,306	42,306	-	-
Healthcare	23,891	23,891	-	-
Services	1,386	1,386	-	-
Communication	13,931	13,931	-	-
Consumer goods	14,263	14,263	-	-
Technology	41,315	41,315	-	-
Industrial	2,359	2,359	-	-
Energy	6,834	6,834	-	-
Total equity securities	233,365	233,365	-	-
Total Investments	\$ 2,299,408	\$ 2,299,408	\$ -	\$ -

(Continued)

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	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	895,171	895,171	-	-
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	-	-

(Continued)

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
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	<u>263,870</u>	<u>263,870</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 2,319,608</u>	<u>\$ 2,319,608</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:

	2023	2022	2021
Medicaid	\$ 3,091,584	\$ 1,860,900	\$ 1,855,950
Federal awards	474,762	89,795	108,716
State assistance	35,432	21,974	36,258
Employee retention credit	-	6,870,614	-
Private pay and insurance	-	-	3,606
Contract service fees	<u>32,660</u>	<u>44,724</u>	<u>41,209</u>
	3,634,438	8,888,007	2,045,739
Less allowance for uncollectible receivables	<u>(637,831)</u>	<u>(288,695)</u>	<u>(312,572)</u>
	<u>\$ 2,996,607</u>	<u>\$ 8,599,312</u>	<u>\$ 1,733,167</u>

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Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 6: PROPERTY AND EQUIPMENT, NET

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

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 23,264,209	\$ 23,226,008
Furniture and equipment	4,254,555	3,815,229
Vehicles	767,120	674,817
	<u>28,285,884</u>	<u>27,716,054</u>
Less accumulated depreciation and amortization	<u>(14,001,284)</u>	<u>(13,112,050)</u>
	14,284,600	14,604,004
Land and nondepreciable land improvements	5,661,952	5,661,952
Construction in progress	51,239	-
	<u><u>\$ 19,997,791</u></u>	<u><u>\$ 20,265,956</u></u>

NOTE 7: LEASES

The Organization is committed under a certain non-cancellable financing lease with terms in excess of one year for certain leased equipment. The lease expires in February 2028. For the lease, the Organization records an asset which represents the Organization's right to use the underlying asset during the lease term and a lease liability that represents the Organization's obligation to make payments arising from the lease. The Organization has elected the practical expedient to not separate lease and non-lease components for equipment leases.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the equipment class of assets. The weighted average remaining lease term and discount rate for the Organization's financing lease was 4.75 years and 3.94%, respectively, as of June 30, 2023.

Financing lease cost for the year ended June 30, 2023, totaled approximately \$38,000. This included right of use asset amortization of approximately \$14,000. Of the total lease expense on the statements of functional expenses, approximately \$18,000 is for short-term leases. There were no lease expenses during the year ended June 30, 2022.

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Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 7: LEASES (Continued)

Approximate future minimum lease payments at June 30, 2023 are as follows:

2024	\$	63,024
2025		63,024
2026		63,024
2027		63,024
Thereafter		36,764
Total lease payments		288,860
Less interest		(21,426)
Present value of lease liability	\$	<u>267,434</u>

NOTE 8: ACCRUED EXPENSES AND OTHER LIABILITIES

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

	<u>2023</u>	<u>2022</u>
Payroll and related liabilities	\$ 2,631,849	\$ 1,901,597
Employee retention credit consulting fee liability	-	630,592
Deferred revenues	224,535	160,915
Other accrued expenses	<u>17,404</u>	<u>10,772</u>
	<u>\$ 2,873,788</u>	<u>\$ 2,703,876</u>

NOTE 9: 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 line of credit was not renewed. The outstanding balance on the line of credit at June 30, 2023 and 2022 was \$0 and \$635,024, respectively. The line of credit is secured by an interest in the accounts receivable of the Organization.

Interest expense incurred and paid during the year ended June 30, 2023, totaled approximately \$87,000.

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Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 10: 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, 2023 and 2022.

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

	<u>2023</u>	<u>2022</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 \$7,657,494 at June 30, 2023.	<u>\$ 3,207,396</u>	<u>\$ 3,367,396</u>

Scheduled principal payments for these long-term obligations during the fiscal years subsequent to June 30, 2023, are as follows:

2024	\$ 265,063
2025	185,833
2026	195,833
2027	202,917
2028	207,917
Thereafter	<u>2,149,833</u>
	<u>\$ 3,207,396</u>

NOTE 11: COVID RELIEF FUNDING

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. All amounts have been received as of June 30, 2023.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 12: 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.

Net assets restricted to the passage of time at June 30 consist of the following:

	<u>2023</u>	<u>2022</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 consist of the following:

	<u>2023</u>	<u>2022</u>
Net Assets Donor Restricted to Purpose:		
Contributions for specific supplies	\$ 421,093	\$ 440,852
Contributions for scholarships to Grand Prairie Child Development Center	240,285	219,413
Total net assets donor restricted to purpose	<u>\$ 661,378</u>	<u>\$ 660,265</u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net Assets Restricted in Perpetuity

Net assets restricted in perpetuity at June 30, 2023 and 2022, 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 consist of the following:

	<u>2023</u>	<u>2022</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	<u>306,073</u>	<u>306,073</u>
Total net assets donor restricted in perpetuity	<u>\$ 381,170</u>	<u>\$ 381,170</u>

NOTE 13: RETIREMENT BENEFITS

The Organization provides a 403(b) salary deferral retirement plan that covers substantially all full-time employees. Prior to July 1, 2022, 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. Effective July 1, 2022, the Organization, at the discretion of the Board of Directors, may make a matching contribution based on the employee's years of service. During the years ended June 30, 2023 and 2022, the Board of Directors approved matching contributions 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 years ended June 30, 2023 and 2022, the Board of Directors approved contributions of \$27,000 and \$0, respectively. Plan assets totaled approximately \$99,000 and \$189,000, respectively, at June 30, 2023 and 2022, 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 14: 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.

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Notes to Consolidated Financial Statements June 30, 2023 and 2022

NOTE 15: 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 Organization's investments.

NOTE 16: 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>2023</u>	<u>2022</u>
Cash and cash equivalents - unrestricted	\$ 5,921,235	\$ 1,678,223
Cash and cash equivalents - restricted	545,430	521,403
Grants and contracts receivable, net	2,996,607	8,599,312
Contributions receivable, net	11,155	55,890
Other receivables	1,546	17,862
Investments	<u>2,299,408</u>	<u>2,319,608</u>
Total financial assets	11,775,381	13,192,298
Less:		
Net assets donor restricted to passage of time	(4,811,800)	(4,811,800)
Net assets donor restricted to purpose	(661,378)	(660,265)
Net assets donor restricted in perpetuity	(381,170)	(381,170)
Restricted cash and equivalents	<u>(545,430)</u>	<u>(521,403)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,375,603</u></u>	<u><u>\$ 6,817,660</u></u>

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 29, 2024, 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, 2023

	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	\$13,140,840	\$12,464,598	\$ 25,605,438	\$ -	\$ -	\$ -	\$ 25,605,438
Federal awards	1,688,087	1,673,087	3,361,174	-	-	-	3,361,174
State assistance	433,461	190,954	624,415	-	-	-	624,415
Public Support							
Contributions	28,580	29,550	58,130	48,500	709,437	757,937	816,067
Special events	-	-	-	-	1,047,629	1,047,629	1,047,629
Other							
Private pay and insurance	1,769,266	102,292	1,871,558	-	-	-	1,871,558
Employee retention credit	-	-	-	-	-	-	-
Workshop fees	106,666	-	106,666	-	-	-	106,666
Contract service fees	409,274	-	409,274	-	-	-	409,274
Rental income	-	211,423	211,423	44,000	-	44,000	255,423
Investment income	-	238	238	590,663	78,459	669,122	669,360
Loss on disposal of property and equipment	-	-	-	(2,504)	-	(2,504)	(2,504)
Net appreciation in fair value of investments	-	-	-	4,232	100,029	104,261	104,261
Miscellaneous	(9,986)	2,492	(7,494)	71,139	80	71,219	63,725
Total Support, Revenue and Gains (Losses)	\$17,566,188	\$14,674,634	\$ 32,240,822	\$ 756,030	\$ 1,935,634	\$ 2,691,664	\$ 34,932,486

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Combining Schedule of Support, Revenue and Direct Expenses *(Continued)* Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
DIRECT EXPENSES							
Salaries	\$ 10,184,788	\$ 11,119,230	\$ 21,304,018	\$ 1,466,536	\$ 301,543	\$ 1,768,079	\$ 23,072,097
Payroll taxes and benefits	1,702,848	1,586,633	3,289,481	289,708	57,341	347,049	3,636,530
Professional fees	2,088,003	162,699	2,250,702	1,161,528	202,358	1,363,886	3,614,588
Supplies	795,109	164,010	959,119	130,931	267,425	398,356	1,357,475
Taxes and licenses	314,330	79,905	394,235	45,060	-	45,060	439,295
Telephone	12,122	14,358	26,480	2,073	-	2,073	28,553
Postage and shipping	3,127	940	4,067	5,546	768	6,314	10,381
Occupancy	257,179	133,080	390,259	27,898	4,379	32,277	422,536
Insurance	113,380	77,463	190,843	119,893	1,895	121,788	312,631
Lease expense	42,338	7,145	49,483	6,270	396	6,666	56,149
Printing	175	925	1,100	-	1,592	1,592	2,692
Transportation and travel	75,546	42,259	117,805	31,912	970	32,882	150,687
Employee recruitment/retention	78,051	56,834	134,885	55,984	1,494	57,478	192,363
Staff development	84,172	25,336	109,508	11,500	1,750	13,250	122,758
Specific assistance to individuals	425	157,006	157,431	2,230	-	2,230	159,661
National dues and subscriptions	-	-	-	81,807	-	81,807	81,807
Other dues and subscriptions	14,558	587	15,145	29,388	45	29,433	44,578
Repairs and maintenance	212,669	252,347	465,016	36,500	4,534	41,034	506,050
Interest	3,038	149,173	152,211	86,819	-	86,819	239,030
Miscellaneous	265	-	265	8,846	-	8,846	9,111
Provision for uncollectible accounts	177,041	159,808	336,849	-	14,549	14,549	351,398
Depreciation and amortization	456,628	398,338	854,966	75,983	12,375	88,358	943,324
Total Direct Expenses	16,615,792	14,588,076	31,203,868	3,676,412	873,414	4,549,826	35,753,694
OTHER EXPENSES							
Remittance of excess residual receipts to HUD	-	14,800	14,800	-	-	-	14,800
Excess of Revenue and Support over Direct Expenses/(Excess of Direct Expenses over Revenue and Support)	\$ 950,396	\$ 71,758	\$ 1,022,154	\$ (2,920,382)	\$ 1,062,220	\$ (1,858,162)	\$ (836,008)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses

Children Services Division

Year Ended June 30, 2023

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
SUPPORT, REVENUE AND GAINS								
Fees and Grants from Government Agencies								
Medicaid	\$ 3,145,948	\$ 1,532,746	\$ 723,099	\$ -	\$ 93,377	\$ -	\$ 7,645,670	\$ 13,140,840
Federal awards	-	307,442	12,525	1,310,763	14,476	-	42,881	1,688,087
State assistance	-	5,328	576	53,000	-	140,113	234,444	433,461
Public Support								
Contributions	14,940	1,000	5,590	-	7,050	-	-	28,580
Other								
Private pay and insurance	821,483	127,823	12,843	20	752,969	-	54,128	1,769,266
Workshop fees	-	-	-	106,666	-	-	-	106,666
Contract service fees	-	-	-	-	-	409,274	-	409,274
Miscellaneous	-	(9,727)	91	-	(350)	-	-	(9,986)
Total Support, Revenue and Gains	3,982,371	1,964,612	754,724	1,470,449	867,522	549,387	7,977,123	17,566,188
DIRECT EXPENSES								
Salaries	2,527,444	1,158,287	524,320	982,496	774,068	326,857	3,891,316	10,184,788
Payroll taxes and benefits	426,166	201,587	98,055	159,764	142,298	61,462	613,516	1,702,848
Professional fees	378,003	116,383	35,910	5,371	34,806	23,397	1,494,133	2,088,003
Supplies	45,464	53,913	51,538	30,723	33,324	6,267	573,880	795,109
Taxes and licenses	-	-	-	-	3,660	-	310,670	314,330
Telephone	1,292	840	2,134	3,408	2,427	392	1,629	12,122
Postage and shipping	1,423	29	25	536	60	43	1,011	3,127
Occupancy	23,472	23,043	27,197	7,899	35,009	15,281	125,278	257,179
Insurance	13,690	9,973	4,913	3,418	27,983	5,187	48,216	113,380
Lease expense	3,103	3,973	891	287	3,196	638	30,250	42,338

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses (Continued) Children Services Division (Continued) Year Ended June 30, 2023

	Outpatient Therapy	LR Preschool	Grand Prairie CDC	Outreach	The Academy	Education	Residential	Total
DIRECT EXPENSES (Continued)								
Specific assistance to individuals	\$ 318	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425
Printing	-	175	-	-	-	-	-	175
Transportation and travel	1,880	-	2,104	59,411	3,254	34	8,863	75,546
Employee recruitment/retention	8,059	6,595	1,769	1,074	3,587	3,743	53,224	78,051
Staff development	13,301	1,563	248	50,592	2,209	200	16,059	84,172
Other dues and subscriptions	7,318	331	75	3,985	582	-	2,267	14,558
Repairs and maintenance	22,012	23,856	13,525	8,996	61,782	863	81,634	212,669
Interest	3,038	-	-	-	-	-	-	3,038
Miscellaneous	5,100	690	650	(6,925)	-	750	-	265
Provision for uncollectible accounts	64,743	20,452	10,517	-	16,735	-	64,594	177,041
Depreciation and amortization	50,173	65,361	24,734	39,095	46,624	22,194	208,447	456,628
Total Direct Expenses	3,595,999	1,687,158	798,605	1,350,130	1,191,604	467,308	7,524,987	16,615,792
ALLOCATION OF ADMINISTRATIVE COST	370,218	235,770	87,404	166,538	130,438	51,682	822,396	1,864,446
Total Expenses and Allocation	3,966,217	1,922,928	886,009	1,516,668	1,322,042	518,990	8,347,383	18,480,238
	<u>\$ 16,154</u>	<u>\$ 41,684</u>	<u>\$ (131,285)</u>	<u>\$ (46,219)</u>	<u>\$ (454,520)</u>	<u>\$ 30,397</u>	<u>\$ (370,260)</u>	<u>\$ (914,050)</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses Adult Services Division Year Ended June 30, 2023

	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	\$ 1,935,023	\$ 716,080	\$ 9,813,495	\$ -	\$ -	\$ -	\$ -	\$ 12,464,598
Federal awards	620,598	-	691,753	118,461	79,517	87,407	75,351	1,673,087
State assistance	190,954	-	-	-	-	-	-	190,954
Public Support								
Contributions	29,450	100	-	-	-	-	-	29,550
Other								
Private pay and insurance	1,144	101,148	-	-	-	-	-	102,292
Rental income	23,000	-	-	43,908	49,538	44,324	50,653	211,423
Investment income	-	-	-	11	63	79	85	238
Miscellaneous	2,390	-	-	25	25	52	-	2,492
Total Support, Revenue and Gains	2,802,559	817,328	10,505,248	162,405	129,143	131,862	126,089	14,674,634
DIRECT EXPENSES								
Salaries	1,744,990	478,335	8,717,702	62,691	44,856	34,890	35,766	11,119,230
Payroll taxes and benefits	299,894	79,903	1,168,386	14,391	9,277	7,223	7,559	1,586,633
Professional fees	81,747	15,968	2,949	14,750	14,750	16,535	16,000	162,699
Supplies	68,289	65,124	16,917	3,917	2,848	2,883	4,032	164,010
Taxes and licenses	-	79,905	-	-	-	-	-	79,905
Telephone	3,691	1,281	5,467	930	996	996	997	14,358
Postage and shipping	333	133	177	141	82	37	37	940
Occupancy	66,397	20,951	-	12,662	11,983	10,367	10,720	133,080
Insurance	30,376	9,084	-	10,827	9,408	9,893	7,875	77,463
Printing	720	-	205	-	-	-	-	925
Transportation and travel	12,216	3,943	10,789	5,488	3,125	3,057	3,641	42,259
Employee recruitment/retention	6,738	1,977	47,306	174	124	99	416	56,834

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses (Continued) Adult Services Division (Continued) Year Ended June 30, 2023

	Adult Day and Employment Program	Residential	Community Services	Armistead Apartments	Charlotte Gardens Apartments	Wilson Court II Apartments	Harold Court Apartments	Total
DIRECT EXPENSES (Continued)								
Staff development	\$ 3,420	\$ 584	\$ 20,988	\$ 86	\$ 86	\$ 86	\$ 86	\$ 25,336
Specific assistance to individuals	-	-	157,006	-	-	-	-	157,006
Other dues and subscriptions	270	227	45	-	45	-	-	587
Repairs and maintenance	65,949	26,115	-	54,042	46,302	30,115	29,824	252,347
Interest	149,173	-	-	-	-	-	-	149,173
Lease expense	5,389	416	800	135	135	135	135	7,145
Miscellaneous	(94,321)	94,321	-	-	-	-	-	-
Provision for uncollectible accounts	35,076	7,322	112,317	2,128	1,192	869	904	159,808
Depreciation and amortization	226,022	18,730	4,992	32,651	29,152	39,098	47,693	398,338
Total Direct Expenses	2,706,369	904,319	10,266,046	215,013	174,361	156,283	165,685	14,588,076
OTHER EXPENSES								
Remittance of excess residual receipts to HUD	-	-	-	-	-	14,800	-	14,800
ALLOCATION OF ADMINISTRATIVE COST	296,247	98,933	1,123,238	23,518	19,059	17,077	18,104	1,596,176
Total Expenses and Allocation	3,002,616	1,003,252	11,389,284	238,531	193,420	188,160	183,789	16,199,052
	<u>\$ (200,057)</u>	<u>\$ (185,924)</u>	<u>\$ (884,036)</u>	<u>\$ (76,126)</u>	<u>\$ (64,277)</u>	<u>\$ (56,298)</u>	<u>\$ (57,700)</u>	<u>\$ (1,524,418)</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Program Units of Service Year Ended June 30, 2023

		Number of Program Units of Service Provided				
		Medicaid	Federal Awards	State Awards	Private Pay	Total
40-bed residential:						
ICF/MR	Day	14,129	-	-	-	14,129
DCFS	Day	398	-	-	-	398
10-bed residential ICF/MR	Day	3,642	-	-	-	3,642
ADDT	Hour	157,714	-	3,950	-	161,664
EIDT	Hour	117,497	-	-	-	117,497
Transportation	Mile	29,073	-	-	-	29,073
Transportation	Day	-	-	-	168	168
Work activity	Hour	-	-	10,813	-	10,813

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, 2023, 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 February 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization'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 the 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 or significant deficiencies may exist that were not identified.

The Board of Directors
Easterseals Arkansas

Report on Compliance and Other Matters

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

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
February 29, 2024



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 identified as subject to audit 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, 2023. 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.

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 its major federal programs for the year ended June 30, 2023.

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 (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 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 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 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 any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

The Board of Directors
Easterseals Arkansas

Report on Internal Control over Compliance (*Continued*)

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 over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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
February 29, 2024

Easterseals Arkansas

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

	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	\$ 118,461
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Charlotte Gardens, Inc.)	14.181	79,517
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Wilson Court II)	14.181	87,407
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Harold Court)	14.181	<u>75,351</u>
Total U.S. Department of Housing and Urban Development		<u>360,736</u>
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	<u>1,310,763</u>
Passed through Arkansas Rehabilitation Services:		
Rehabilitation Services – Vocational Rehabilitation Grants to States:		
Academics, Community, Career Development and Employment program	84.126	47,220
High School Transition	84.126	467,170
Supportive Employment	84.126	32,000
Transitional Employment Program	84.126	21,066
SET for Success	84.126	<u>10,476</u>
		<u>577,932</u>
Total U.S. Department of Education		<u>1,888,695</u>

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2023

	Federal Assistance Listing Number	Expenditures
U.S. Department of Health and Human Services		
Passed through Arkansas Department of Human Services:		
Child Care and Development Block Grant	93.575	\$ 113,961
Child Care and Development Block Grant - CCDF COVID Supplemental	93.575	3,200
American Rescue Plan Act - Child Care Stabilization	93.575	105,000
American Rescue Plan Act - Child Care Supplemental	93.575	100,313
Foster Care – Title IV-E	93.658	1,493
Social Services Block Grant - Service Operational Contract	93.667	53,142
Provider Relief Funds	93.498	608,611
Passed through the Arkansas Department of Insurance:		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations:		
Medical Assistance Program - COVID-19 Expenses	93.778	691,753
Total U.S. Department of Health and Human Services		1,677,473
U.S. Department of Transportation		
Passed through Arkansas Department of Transportation:		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	42,881
Total U.S. Department of Transportation		42,881
Total Expenditures		\$ 3,969,785
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	1,491,099
Total Capital Advances		\$ 4,713,899

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards *(Continued)* Year Ended June 30, 2023

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, 2023. 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, 2023 was \$25,605,438.

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 were not reported on the Schedule for the year ended June 30, 2022 because these funds were 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, 2023

	<u>Revenues</u>	<u>Expenditures</u>
STATE ASSISTANCE		
Arkansas Department of Human Services		
Division of Developmental Disabilities Services – Service Operational Contract	\$ 49,102	\$ 49,102
Foster Care - State	234,444	234,444
Total Arkansas Department of Human Services	<u>283,546</u>	<u>283,546</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	12,780	12,780
High School Transition	126,439	126,439
TEP Program	5,702	5,702
SET for Success	2,835	2,835
Total Arkansas Department of Career Education	<u>147,756</u>	<u>147,756</u>
Total State Assistance	<u>\$ 624,415</u>	<u>\$ 624,415</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

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), Assistance Listing #14.181
 - U.S. Department of Health and Human Service, Medicare Assistance Program, COVID-19 Expenses, Assistance Listing #93.778
- **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 Schedule of Prior Audit Findings Year Ended June 30, 2023

Finding: **2022-1 Timely Reconciliation of Accounts**

Condition: During the year ended June 30, 2022, we noted that certain reconciliations of accounts were not being performed in a timely manner.

Recommendation: We recommend that more effective review and reconciliation policies and procedures be established as a customary part of the accounting process.

Current Status: Management has implemented a monthly review and reconciliation process of accounts to ensure accounting information is complete and accurate.

See Independent Auditor's Report.