

EASTER SEALS CENTRAL ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**EASTER SEALS CENTRAL ALABAMA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Easter Seals Central Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals Central Alabama (an unincorporated nonprofit affiliate of Easter Seals Alabama, Inc.), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Easter Seals Central Alabama's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for purpose of forming an opinion on the financial statements as a whole. The accompany 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2022, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
February 3, 2022

**EASTER SEALS CENTRAL ALABAMA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF SEPTEMBER 30, 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 2,676,374	\$ 1,932,758
Accounts receivable (net of allowance for uncollectible accounts of \$9,396)	663,131	685,201
Prepaid expenses	30,659	26,266
Equipment (at depreciated cost)	57,635	70,087
TOTAL ASSETS	\$ 3,427,799	\$ 2,714,312
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 11,885	\$ 7,513
Accrued expenses	151,602	128,780
Deferred revenue	7,075	-
TOTAL LIABILITIES	170,562	136,293
NET ASSETS		
Without donor restrictions	2,557,237	1,878,019
Without donor restrictions – Board designated funds	700,000	700,000
TOTAL NET ASSETS	3,257,237	2,578,019
TOTAL LIABILITIES AND NET ASSETS	\$ 3,427,799	\$ 2,714,312

See notes to the financial statements.

**EASTER SEALS CENTRAL ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	2020 TOTALS
REVENUE, GAINS, AND OTHER SUPPORT				
Special events	\$ 2,950	\$ -	\$ 2,950	\$ -
Contributed income	94,444	-	94,444	77,093
Government grants and fees	4,064,289	-	4,064,289	4,649,378
Program service fees	1,155,518	-	1,155,518	1,030,968
Investment income	695	-	695	1,090
Rent income	56,079	-	56,079	45,385
In-kind contributions	677,165	-	677,165	392,448
United Way income	52,655	-	52,655	102,854
Miscellaneous income	849,590	-	849,590	14,972
TOTAL REVENUE AND OTHER SUPPORT	<u>6,953,385</u>	<u>-</u>	<u>6,953,385</u>	<u>6,314,188</u>
EXPENSES				
Direct program services:				
Employment services	554,544	-	554,544	561,711
Speech and autism clinic services	930,424	-	930,424	862,206
SCSEP	1,771,903	-	1,771,903	1,145,634
Interpreter services	209,078	-	209,078	268,911
Other direct services	2,320,902	-	2,320,902	2,264,380
Total direct program services	<u>5,786,851</u>	<u>-</u>	<u>5,786,851</u>	<u>5,102,842</u>
Supporting services:				
Fundraising	25,597	-	25,597	16,116
Management and general	411,139	-	411,139	435,828
Total supporting services	<u>436,736</u>	<u>-</u>	<u>436,736</u>	<u>451,944</u>
TOTAL EXPENSES	<u>6,223,587</u>	<u>-</u>	<u>6,223,587</u>	<u>5,554,786</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS TO/FROM AFFILIATES	729,798	-	729,798	759,402
Unallocated payments to affiliated organization	<u>(50,580)</u>	<u>-</u>	<u>(50,580)</u>	<u>(46,266)</u>
CHANGE IN NET ASSETS	679,218	-	679,218	713,136
Net assets at beginning of year	<u>2,578,019</u>	<u>-</u>	<u>2,578,019</u>	<u>1,864,883</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,257,237</u>	<u>\$ -</u>	<u>\$ 3,257,237</u>	<u>\$ 2,578,019</u>

See notes to the financial statements.

**EASTER SEALS CENTRAL ALABAMA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	DIRECT PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL ALL FUNCTIONS		
	EMPLOYMENT SERVICES	SPEECH AND AUTISM CLINIC SERVICES		INTERPRETER SERVICES	OTHER DIRECT SERVICES	TOTAL	FUNDRAISING	MANAGEMENT AND GENERAL		TOTAL	2021	2020
		SCSEP										
Salaries and employee benefits	\$ 357,759	\$ 632,040	\$ 1,444,601	\$ 31,219	\$ 1,608,180	\$ 4,073,799	\$ 3,695	\$ 250,450	\$ 254,145	\$ 4,327,944	\$ 4,003,166	
Payroll taxes	22,414	40,763	107,378	2,348	103,521	276,424	182	16,796	16,978	293,402	273,222	
TOTAL SALARIES AND RELATED EXPENSES	380,173	672,803	1,551,979	33,567	1,711,701	4,350,223	3,877	267,246	271,123	4,621,346	4,276,388	
Professional fees	81,072	40,274	174,902	168,761	22,818	487,827	-	59,820	59,820	547,647	485,603	
Supplies	25,242	19,166	7,032	500	18,508	70,448	20,426	29,037	49,463	119,911	109,020	
Telephone	13,301	6,216	8,407	1,776	4,311	34,011	-	11,981	11,981	45,992	44,314	
Postage and shipping	385	1,346	1,926	387	820	4,864	160	99	259	5,123	4,571	
Occupancy	34,986	13,357	19,771	1,170	17,813	87,097	-	6,898	6,898	93,995	90,023	
Rental and maintenance of equipment	6,895	-	1,340	-	6,033	14,268	-	1,656	1,656	15,924	10,697	
Travel	1,211	-	4,910	-	23,954	30,075	44	14	58	30,133	31,074	
Conferences, conventions, and meetings	385	207	-	-	9,833	10,425	50	840	890	11,315	6,575	
Specific assistance to individuals	-	168,898	-	418	5	169,321	-	-	-	169,321	139,091	
Equipment – CARE Program	-	-	-	-	495,515	495,515	-	-	-	495,515	285,705	
Insurance	9,541	4,195	1,636	243	8,522	24,137	-	12,669	12,669	36,806	35,376	
Public relations	128	256	-	-	-	384	590	4,023	4,613	4,997	6,037	
Miscellaneous	-	100	-	-	-	100	250	5,150	5,400	5,500	6,206	
Advertising	420	3,606	-	2,256	60	6,342	200	1,068	1,268	7,610	10,054	
Depreciation	805	-	-	-	1,009	1,814	-	10,638	10,638	12,452	14,052	
TOTAL FUNCTIONAL EXPENSES	\$ 554,544	\$ 930,424	\$ 1,771,903	\$ 209,078	\$ 2,320,902	\$ 5,786,851	\$ 25,597	\$ 411,139	\$ 436,736	\$ 6,223,587	\$ 5,554,786	

See notes to the financial statements.

**EASTER SEALS CENTRAL ALABAMA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 679,218	\$ 713,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,452	14,052
Changes in assets and liabilities:		
Accounts receivable	22,070	177,118
Prepaid expenses	(4,393)	185
Accounts payable	4,372	(21,533)
Accounts payable – Easter Seals Alabama, Inc.	-	(19,779)
Accrued expenses	22,822	(96,448)
Deferred revenue	7,075	-
	<u>743,616</u>	<u>766,731</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(5,110)
	<u>-</u>	<u>(5,110)</u>
Net cash used in investing activities		
NET INCREASE IN CASH	743,616	761,621
CASH AT BEGINNING OF YEAR	<u>1,932,758</u>	<u>1,171,137</u>
CASH AT END OF YEAR	<u>\$ 2,676,374</u>	<u>\$ 1,932,758</u>

See notes to the financial statements.

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Easter Seals Central Alabama (the Organization) is an unincorporated not-for-profit affiliate of Easter Seals Alabama, Inc. (ESA). The Organization operates under the direction of a voluntary advisory committee known as the Easter Seals Central Alabama Board. The Organization provides various services to disabled persons in Alabama. The Organization is funded primarily by public support and various purchase of service contracts with governmental agencies.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments and certificates of deposit purchased with an original maturity of three months or less to be cash equivalents.

Land, Buildings and Equipment

Equipment is recorded at cost, or fair market value if donated, less accumulated depreciation. Equipment is depreciated over the estimated useful lives of the assets using the straight-line method. Depreciation expense totaled \$12,452 for the year ended September 30, 2021. The Organization's policy is to capitalize items with a cost or donated value greater than \$1,000.

Easter Seals Alabama, Inc. is the legal holding entity for the real property and buildings for all Easter Seals Alabama, Inc. affiliates. Accordingly, the cost of real property purchased and constructed is shown on the financial statements as transfers to affiliates. The accompanying financial statements do not reflect amounts for the donated use of the real property and buildings as there is no objective basis for determining the value.

Accounts Receivable

The Organization reports accounts receivable at net realizable value. Management determines the allowance for uncollectible accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to be uncollectible they are written off against the allowance for uncollectible accounts.

Deferred Revenue

Deferred revenue consists of funds held as of September 30, 2021 for prepaid fundraiser revenues for the year ending September 30, 2022.

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 restrictions and reported in the statement of activities as net assets released from restrictions. When restrictions are met in the same period in which the contribution is received, the contribution is recorded as support without donor restrictions.

Noncash Contributions

Noncash contributions are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization normally pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and other Organization functions. During the year the Organization received \$33,581 in donated audit services. The Organization received contributed medical equipment valued at \$495,515 related to the CARE Program, and services of \$148,069 related to the SCSEP Program.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and building operation and maintenance, printer and copier costs, postage costs, health and liability insurance and salaries. Depreciation and building related costs are allocated based on square footage attributable to the program. Printer, copier, and postage costs are allocated by department codes of actual usage. Costs of other categories are allocated on estimates of time and effort of employees providing direct program services.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$7,610 for the year ended September 30, 2021.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with generally accepted accounting principles accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended September 30, 2020, from which the summarized information was derived.

Income Taxes

The Organization, through its affiliation with Easter Seals Alabama, Inc., is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of Alabama law. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and qualifies for charitable contribution deduction by individual donors as stated in Section 170. The Organization files Form 990 as part of a group return of affiliates of Easter Seals Alabama, Inc.

Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. No unrelated business income tax was incurred for the year ended September 30, 2021.

As of September 30, 2021, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements and no interest and penalties related to income taxes.

Recently Adopted Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization concluded that, the adoption of the new standard in 2020, did not have a significant impact on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (U.S. GAAP) under which an entity should recognize revenue to depict the transfer of promised 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. The Organization concluded that, the adoption of the new standard in 2020, did not have a significant impact on the financial statements.

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. The standard is effective for the Organization for the year ending September 30, 2022. The Organization is currently evaluating the impact of this guidance on the financial statements.

In February 2016, The FASB issued ASU 2016-02, *Leases (Subtopic 842)*. The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their statement of financial position and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their balance sheets, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The standard is effective for the Organization for the year ending September 30, 2023. The Organization is currently evaluating the impact of this guidance on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through February 3, 2022, which is the date the financial statements were available to be issued.

2. EQUIPMENT

Equipment as of September 30, 2021, consisted of the following:

Transportation equipment	\$ 157,600
Furniture, fixtures, and other equipment	<u>235,565</u>
	393,165
Less accumulated depreciation	<u>335,530</u>
Total equipment (at depreciated cost)	<u><u>\$ 57,635</u></u>

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. RELATED PARTY TRANSACTIONS

Unallocated Payments to Affiliated Organization

Unallocated payments to ESA, for the year ended September 30, 2021, consisted of the following:

Workman's compensation fees	\$ 26,587
Audit fee	2,700
Base/usage fee	15,008
National fees	<u>6,285</u>
Total unallocated payments to ESA	<u>\$ 50,580</u>

4. RETIREMENT PLAN

Defined Benefit Plan

The Organization contributes to a multiple-employer defined benefit pension and retirement plan covering all employees of Easter Seals Alabama, Inc. and its statewide affiliates. The legal name of the plan is Retirement Plan of Easter Seals Alabama, Inc. (the Plan). The risks of participating in a multiple-employer plan are different from single employer plans in that assets contributed to the multiple-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Organization's participation in the plan for the period ended September 30, 2021, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Plan (PPA) zone status available in the fiscal year ended September 30, 2021, is for the plan's year end at December 31, 2020. The zone status is based on information that the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. This plan is not subject to any collective bargaining agreements and has paid no surcharge to the plan.

There were no significant changes in the number of participants or the employer contribution rates during the plan year ended December 31, 2020.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Zone Status</u>	<u>FIP/RP Status Pending/ Implemented</u>	<u>Contributions</u>	<u>Surcharge Imposed</u>
Retirement Plan of Easter Seals Alabama, Inc.	63-0320188-001	Yellow as of 12/31/2020	No	<u>\$ 150,742</u>	No

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

4. RETIREMENT PLAN – CONTINUED

Defined Benefit Plan – Continued

Through September 15, 2008, when this Plan was frozen, the Plan was funded by employee contributions of 5% of earnings and the actuarially determined employer annual contribution which satisfied the minimum funding standards required by law. After September 15, 2008, the accrual of benefits for participants of this plan was frozen and only the actuarially determined employer contributions continued for funding purposes. Contributions of \$150,742 made during the fiscal year included increased pension costs incurred to fund minimum required contributions and reduce the deficit calculated for the plan year. The Organization will be required to make contributions of \$64,146 into the plan during the 2022 fiscal year to further reduce this funding deficit.

As a result of the adoption of the defined contribution plan noted below, no new participants were allowed into this plan as of June 15, 2006.

The Organization provided more than 5% of the total contributions for this plan for the plan year ended December 31, 2021.

Defined Contribution Plan

The Organization adopted a defined contribution retirement plan effective June 16, 2006 covering all new employees as of that date. Employer contributions to the plan are based on a percentage of each employee's contributions. For the year ended September 30, 2021, expenses related to this plan totaled \$77,425.

5. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts in multiple financial institutions located in Alabama. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the main operating account that were over the FDIC limit. At September 30, 2021, the amount over the FDIC limit was \$1,529,969. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk associated with these deposits.

6. ECONOMIC DEPENDENCE

The Organization receives a substantial portion of its revenues under contracts with the Alabama Department of Rehabilitation Services (ADRS) and the U.S. Department of Labor (DOL).

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. COMMITMENTS AND CONTINGENCIES

The Organization received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, would be immaterial to the financial statements.

8. LEASING ARRANGEMENTS

Operating Leases

The Organization is obligated under an operating lease for 19 copiers dated October, 2016 for 60 monthly payments in the amount of \$1,790. The Organization is also obligated under an operating lease for a postage machine dated October, 2018 for 63 monthly payments in the amount of \$118. The Organization is also obligated under an operating lease for office space dated June 2021 for 12 monthly payments of \$618. The future minimum rental payments required by operating leases that have initial or remaining noncancelable terms in excess of one year as of September 30, 2021, are as follows:

2022	\$ 8,150
2023	1,416
2024	<u>354</u>
Total	<u><u>\$ 9,920</u></u>

Equipment lease expense was \$27,115 for the year ended September 30, 2021.

The Organization also leases office space to tenants under noncancelable operating lease terms dated June 2018 for 72 months in progressive amounts of \$750 per month for year 1; \$1,379 per month for year 2; \$2,068 per month for year 3; and \$2,344 per month for years 4 through 6. Effective April 1, 2021, the lease was amended to include an additional 680 square feet of space. The additional payments for the amendment are \$723 per month. The future minimum rental payments to be received as required by operating leases that have initial or remaining noncancelable terms in excess of one year as of September 30, 2021, are as follows:

2022	\$ 36,796
2023	36,796
2024	<u>24,531</u>
Total	<u><u>\$ 98,123</u></u>

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

9. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following classifications.

Trade receivables	\$ 542,867
Grant receivables	114,343
Other receivables	<u>15,317</u>
Total receivables	672,527
Less: Allowance for uncollectible accounts	<u>(9,396)</u>
Net receivables	<u><u>\$ 663,131</u></u>

10. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of September 30, 2021, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, restricted by an outside donor for a specific time or purpose or because the governing board has set aside the funds for specific contingency reserves and projects.

Financial assets:	
Cash and cash equivalents	\$ 2,676,374
Receivables	<u>663,131</u>
Financial assets, at year-end	3,339,505
Less those unavailable for general expenditure within one year due to:	
Assets designated by the Board for future economic uncertainty	<u>(700,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,639,505</u></u>

11. PAYCHECK PROTECTION PROGRAM

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the paycheck protection program (PPP) which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and was accepted to participate in this program and received second draw PPP loan funding for \$831,720. It is the Organization's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. The Organization used all loan proceeds for eligible expenses and expects full forgiveness under the program. Therefore, the proceeds have been recognized as grant income in the statement of activities.

**EASTER SEALS CENTRAL ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. RISK AND UNCERTAINTY

The outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Organization, its performance and its financial results.

SUPPLEMENTARY INFORMATION

**EASTER SEALS CENTRAL ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<u>Federal Grantor/Passed-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Labor				
Passed through Easter Seals, Inc.:				
Senior Community Service Employment Program	17.235	SCSEP-PY20-ESCA	\$ 1,280,404	\$ -
Senior Community Service Employment Program	17.235	SCSEP-PY21-ESCA	310,911	-
			<u>1,591,315</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 1,591,315</u>	<u>\$ -</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Easter Seals Central Alabama and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The Organization has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report.

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

To the Board of Directors
Easter Seals Central Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Easter Seals Central Alabama (the Organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2022.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 and 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.

Warren Averett, LLC

Montgomery, Alabama
February 3, 2022

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

To the Board of Directors
Easter Seals Central Alabama

Report on Compliance for Each Major Federal Program

We have audited Easter Seals Central Alabama's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2021. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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* (the 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 on the Organization's compliance.

Opinion on 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 its major federal program for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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

Purpose of this Report

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.

Warren Averett, LLC

Montgomery, Alabama
February 3, 2022

**EASTER SEALS CENTRAL ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Significant deficiency identified not considered to be material weakness?	Yes <input type="checkbox"/>	None Reported <input checked="" type="checkbox"/>

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Significant deficiency(ies) identified not considered to be material weakness?	Yes <input checked="" type="checkbox"/>	None Reported <input type="checkbox"/>

Type of auditors’ report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major program:

<u>CFDA Number</u> 17.235	<u>Name of Program</u> Senior Community Service Employment Program
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Dollar threshold used to distinguish between Type A and Type B major programs \$750,000

Auditee qualified as low-risk auditee? Yes No

**EASTER SEALS CENTRAL ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Finding 2021-001 Matching

Information on the Federal Program: U.S. Department of Labor CFDA No. 17.235 Senior Community Service Employment Program

Criteria: 2 CFR 200.306 establishes the criteria for matching funds. Matching funds must be verifiable from the non-federal entity's records and the fair market value of goods and services must be documented and supported by consistent internal methods.

Condition: The Organization met the matching requirement through in-kind service hours provided by host agencies. As documentation, the Organization obtains contracts from the agencies with approved pay rates in order to value the service hours donated.

Context/Cause: In our testing we selected two months to test for matching requirements. In those two months, there were 20 participants who donated time to the Organization. Of those 20 participants, two did not have a contract or other documentation of an approved pay rate. Therefore, The Organization could not verify the value of the services provided from their records.

Effect: The Organization was not in compliance with matching documentation requirements.

Recommendation: The Organization should strengthen its policies and procedures surrounding matching to ensure a contract or other documentation of approved pay rates is obtained and on file in their records.

Views of Responsible Officials: See Corrective Action Plan included at the end of the report.



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Easter Seals Central Alabama Management's View and Corrective Action Plan

Finding 2021-001 Matching

Condition: The Organization met the matching requirement through in-kind service hours provided by host agencies. As documentation, the Organization obtains contracts from the agencies with approved pay rates in order to value the service hours donated.

Context/Cause: In our testing we selected two months to test for matching requirements. In those two months, there were 20 participants who donated time to the Organization. Of those 20 participants, two did not have a contract or other documentation of an approved pay rate. Therefore, The Organization could not verify the value of the services provided from their records.

Effect: The Organization was not in compliance with matching documentation requirements.

Recommendation: The Organization should strengthen its policies and procedures surrounding matching to ensure a contract or other documentation of approved pay rates is obtained and on file in their records.

Management Response:

Easterseals Central Alabama will obtain signed Host Agency agreements from all participating agencies.

Contact:

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Director of Business and Finance

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