



Easterseals Arkansas

**Consolidated Financial Statements
and
Supplemental Information
June 30, 2021 and 2020**

(With Independent Auditor's Reports Thereon)

Easterseals Arkansas

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Easterseals Arkansas** and its controlled affiliates (collectively, "**the Organization**"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The Board of Directors
Easterseals Arkansas

Opinion

In our opinion, the consolidated financial statements referred to on the preceding page present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021 and 2020, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 August 11, 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 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.

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

Little Rock, Arkansas
August 11, 2022

Consolidated Financial Statements

Easterseals Arkansas

Consolidated Statements of Financial Position June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents - unrestricted	\$ 4,980,470	\$ 3,306,475
Cash and cash equivalents - restricted	505,614	557,298
Investments	2,529,141	2,085,246
Grants and contracts receivable, net	1,733,167	2,585,806
Contributions receivable, net	72,260	44,345
Other receivables	10,804	26,894
Prepaid expenses and other assets	224,190	190,655
Property and equipment, net	20,026,818	20,425,511
TOTAL ASSETS	\$ 30,082,464	\$ 29,222,230
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 358,849	\$ 551,657
Accrued expenses and other liabilities	2,359,699	1,841,411
Capital lease obligations	-	14,323
Long-term obligations	3,516,146	3,651,016
Total Liabilities	6,234,694	6,058,407
 Net Assets		
Without donor restrictions	18,725,595	18,130,394
With donor restrictions	5,122,175	5,033,429
Total Net Assets	23,847,770	23,163,823
TOTAL LIABILITIES AND NET ASSETS	\$ 30,082,464	\$ 29,222,230

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities Years Ended June 30, 2021 and 2020

	2021	2020
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support, Revenue, Gains (Losses) and Reclassifications		
Fees and Grants from Government Agencies		
Medicaid	\$ 17,638,293	\$ 18,925,177
Federal awards	2,797,630	1,867,632
State assistance	2,453,974	482,742
Public Support		
Contributions	347,677	576,627
Special events	356,682	531,288
Net assets released from restrictions	-	16,116
Other		
Private pay and insurance	1,026,362	593,996
Workshop fees	55,401	71,734
Contract service fees	407,329	522,086
Rental income	246,434	261,752
Investment income	41,444	52,657
Loss on disposals of property and equipment	(8,383)	(9,718)
Net appreciation (depreciation) in fair value of investments	246,557	(63,380)
Miscellaneous	128,411	39,125
Total Unrestricted Support, Revenue, Gains (Losses) and Reclassifications	25,737,811	23,867,834
Expenses		
Program Services		
Children	12,298,602	11,115,506
Adult	9,465,347	10,261,757
	21,763,949	21,377,263
Supporting Services		
Administration	2,811,580	2,185,523
Fundraising	567,081	528,579
	3,378,661	2,714,102
Total Expenses	25,142,610	24,091,365
Increase (Decrease) in Net Assets without Donor Restrictions	595,201	(223,531)

(Continued)

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statements of Activities (Continued)

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Public Support		
Contributions	\$ 29,514	\$ -
Net appreciation (depreciation) in fair value of investments	59,232	(15,064)
Net assets released from restrictions	-	(16,116)
	<u>88,746</u>	<u>(31,180)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>88,746</u>	<u>(31,180)</u>
OTHER CHANGES		
Remittance of excess residual receipts to HUD	-	(19,900)
	<u>683,947</u>	<u>(274,611)</u>
INCREASE (DECREASE) IN TOTAL NET ASSETS	<u>683,947</u>	<u>(274,611)</u>
NET ASSETS, BEGINNING OF YEAR	<u>23,163,823</u>	<u>23,438,434</u>
NET ASSETS, END OF YEAR	<u><u>\$ 23,847,770</u></u>	<u><u>\$ 23,163,823</u></u>

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2021

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

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Consolidated Statement of Functional Expenses Year Ended June 30, 2020

	<u>Program Expenses</u>		<u>Total Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Children</u>	<u>Adult</u>				
Salaries	\$ 7,099,316	\$ 7,394,727	\$ 14,494,043	\$ 920,841	\$ 258,342	\$ 15,673,226
Payroll taxes and benefits	1,086,076	1,039,394	2,125,470	169,096	56,022	2,350,588
Professional fees	986,051	352,704	1,338,755	665,007	44,092	2,047,854
Supplies	638,456	190,501	828,957	115,382	131,212	1,075,551
Taxes and licenses	315,002	78,626	393,628	30,678	-	424,306
Telephone	50,595	50,244	100,839	21,854	1,092	123,785
Postage and shipping	3,275	2,463	5,738	6,732	3,575	16,045
Occupancy	186,507	114,679	301,186	17,518	5,102	323,806
Insurance	90,178	72,410	162,588	82,238	2,309	247,135
Printing	60	-	60	3,164	5,142	8,366
Transportation and travel	44,367	38,520	82,887	1,922	984	85,793
Employee recruitment/retention	19,226	20,957	40,183	14,020	511	54,714
Staff development	30,030	18,972	49,002	6,414	80	55,496
Specific assistance to individuals	-	131,859	131,859	383	-	132,242
National dues and subscriptions	-	-	-	49,166	-	49,166
Other dues and subscriptions	9,599	689	10,288	22,242	1,000	33,530
Repairs and maintenance	150,539	204,680	355,219	24,603	4,559	384,381
Interest	4,378	164,572	168,950	2,488	-	171,438
Miscellaneous	(44)	-	(44)	(17,610)	-	(17,654)
Provision for uncollectible accounts	75,897	35,309	111,206	-	2,500	113,706
Depreciation and amortization	325,998	350,451	676,449	49,385	12,057	737,891
Total Expenses	\$ 11,115,506	\$ 10,261,757	\$ 21,377,263	\$ 2,185,523	\$ 528,579	\$ 24,091,365

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Total Net Assets	\$ 683,947	\$ (274,611)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization expense	785,643	737,891
Loss on disposals of property and equipment	8,383	9,718
Net (appreciation) depreciation in fair value of investments	(305,789)	63,380
Changes in operating assets and liabilities:		
Grants and contracts receivable	852,639	896,878
Contributions receivable	(27,915)	9,113
Other receivables	16,090	(8,535)
Prepaid expenses and other assets	(33,535)	44,992
Accounts payable	(192,808)	(91,643)
Accrued expenses and other liabilities	518,288	573,817
Net Cash Provided by Operating Activities	2,304,943	1,961,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(475,207)	(491,225)
Purchases of investments	(527,028)	(37,456)
Proceeds from sales of property and equipment	79,874	-
Proceeds from sales and maturities of investments	388,922	192,655
Net Cash Used by Investing Activities	(533,439)	(336,026)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(14,323)	(41,091)
Payments on long-term obligations	(134,870)	(109,395)
Net Cash Used by Financing Activities	(149,193)	(150,486)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,622,311	1,474,488
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,863,773	2,389,285
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,486,084	\$ 3,863,773
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents - unrestricted	\$ 4,980,470	\$ 3,306,475
Cash and cash equivalents - restricted	505,614	557,298
Total Cash and Cash Equivalents	\$ 5,486,084	\$ 3,863,773
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest expense incurred and paid	\$ 162,183	\$ 171,438

See accompanying notes to consolidated financial statements.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

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 2021 and 2020, cash and cash equivalents balances held with financial institutions and investment banking firms exceeded the amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC), as applicable, and were not collateralized. In the event of an

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

institutional failure, account balances exceeding FDIC or SIPC insurance may not be recoverable. At June 30, 2021 and 2020, the Organization's account balances totaled approximately \$5,600,000 and \$4,025,000, respectively. Of these balances, approximately \$4,025,000 and \$2,176,000 at June 30, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020 all contributions receivable are expected to be collected within one year.

Revenue and Revenue Recognition

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

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

Allowance for Uncollectible Grants and Contracts Receivable

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

Donated Services and Materials

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

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

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, 2021 and 2020 is approximately \$50,000 and \$8,600, 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, 2021, the accrued liability for self-insured losses is included in accrued expenses and approximates \$173,000.

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, 2021 and 2020, 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.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on their statement

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

of financial positions for all leases with a term greater than one year and is effective for the Organization on July 1, 2022. Early application is permitted for nonpublic business entities upon issuance. Management of the Organization has not yet determined the significance of the impact of implementation of this standard or any related amendments.

In September 2020, FASB issued ASU No. 2020-07 *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to enhance disclosures about the valuation of those contributions and their use in programs and other activities, including any donor-imposed restrictions on such use. The amendments in this ASU should be applied on a retrospective basis and will be effective for the Organization for the year ending June 30, 2022. Management of the Organization has not yet determined the significance of the impact of implementation of this standard or any related amendments.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

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

Bond Reserve Accounts Held with Trustee

Bond Funds

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

Debt Service Reserve Funds

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

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>2021</u>	<u>2020</u>
Bond funds	\$ 96,561	\$ 96,132
Debt service reserve funds	<u>164,712</u>	<u>164,579</u>
	<u>\$ 261,273</u>	<u>\$ 260,711</u>

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Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS (Continued)

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 \$244,000 and \$297,000 at June 30, 2021 and 2020, 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. |

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.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020.

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, 2021			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 151,573	\$ 151,573	\$ -	\$ -
Small value	8,890	8,890	-	-
Small growth	58,488	58,488	-	-
Mid-cap growth	4,629	4,629	-	-
Mid-cap blend	4,499	4,499	-	-
Large value	18,639	18,639	-	-
Large growth	18,583	18,583	-	-
Corporate bonds	47,405	47,405	-	-
High-yield bond	5,734	5,734	-	-
Ultrashort bond	205,706	205,706	-	-
Intermediate term bond	174,493	174,493	-	-
Foreign small growth	5,143	5,143	-	-
Foreign large value	4,388	4,388	-	-
World bond	11,302	11,302	-	-
Bank loans	50,000	50,000	-	-
Convertibles	25,429	25,429	-	-
Total mutual funds	<u>\$ 794,901</u>	<u>\$ 794,901</u>	<u>\$ -</u>	<u>\$ -</u>

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 59,987	\$ 59,987	\$ -	\$ -
Exchange traded funds:				
Small growth	77,923	77,923	-	-
Small cap	1,400	1,400	-	-
Mid-cap value	139,356	139,356	-	-
Mid-cap growth	148,971	148,971	-	-
Large value	240,557	240,557	-	-
Large blend	55,576	55,576	-	-
Large growth	238,992	238,992	-	-
Financial	75,377	75,377	-	-
Short-term bond	209,716	209,716	-	-
Preferred stock	108,708	108,708	-	-
Corporate bonds	106,003	106,003	-	-
Total exchange traded funds	1,402,579	1,402,579	-	-
Equity securities:				
Basic materials	56,931	56,931	-	-
Financial	35,729	35,729	-	-
Healthcare	21,041	21,041	-	-
Services	71	71	-	-
Communication	18,640	18,640	-	-
Consumer goods	40,390	40,390	-	-
Technology	98,872	98,872	-	-
Total equity securities	271,674	271,674	-	-
Total Investments	\$ 2,529,141	\$ 2,529,141	\$ -	\$ -

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds:				
Short-term bonds	\$ 84,415	\$ 84,415	\$ -	\$ -
Small value	15,601	15,601	-	-
Small growth	60,575	60,575	-	-
Mid-cap growth	8,863	8,863	-	-
Mid-cap blend	8,584	8,584	-	-
Large value	31,304	31,304	-	-
Large growth	22,386	22,386	-	-
Corporate bonds	42,493	42,493	-	-
High-yield bond	9,758	9,758	-	-
Ultrashort bond	202,254	202,254	-	-
Intermediate term bond	181,444	181,444	-	-
Foreign large blend	8,436	8,436	-	-
World blend	18,616	18,616	-	-
Total mutual funds	694,729	694,729	-	-
U.S. Treasury Notes	34,976	34,976	-	-
Exchange traded funds:				
Small growth	51,718	51,718	-	-
Mid-cap value	59,846	59,846	-	-
Mid-cap growth	104,043	104,043	-	-
Large value	201,388	201,388	-	-
Large blend	45,775	45,775	-	-
Large growth	196,905	196,905	-	-
Financial	34,694	34,694	-	-
Short-term bond	212,338	212,338	-	-
Preferred stock	96,804	96,804	-	-
Corporate bonds	106,081	106,081	-	-
Total exchange traded funds	1,109,592	1,109,592	-	-

(Continued)

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

	June 30, 2020			
	Fair Value	Level 1	Level 2	Level 3
Equity securities:				
Basic materials	\$ 55,706	\$ 55,706	\$ -	\$ -
Financial	19,520	19,520	-	-
Healthcare	20,737	20,737	-	-
Services	489	489	-	-
Communication	4,664	4,664	-	-
Consumer goods	39,151	39,151	-	-
Technology	105,682	105,682	-	-
Total equity securities	245,949	245,949	-	-
 Total Investments	 \$ 2,085,246	 \$ 2,085,246	 \$ -	 \$ -

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE, NET

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

	2021	2020
Medicaid	\$ 1,855,950	\$ 2,767,397
Federal awards	108,716	34,853
State assistance	36,258	20,421
Private pay and insurance	3,606	19,077
Contract service fees	41,209	49,529
	2,045,739	2,891,277
Less allowance for uncollectible receivables	(312,572)	(305,471)
	 \$ 1,733,167	 \$ 2,585,806

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 6: PROPERTY AND EQUIPMENT, NET

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

	2021	2020
Buildings and improvements	\$ 23,126,260	\$ 23,013,427
Furniture and equipment	3,413,309	3,322,602
Vehicles	624,810	552,587
	27,164,379	26,888,616
Less accumulated depreciation and amortization	(12,350,671)	(11,771,058)
	14,813,708	15,117,558
Land and nondepreciable land improvements	5,213,110	5,307,953
	\$ 20,026,818	\$ 20,425,511

NOTE 7: 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, 2021 and 2020.

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

	2021	2020
\$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 \$7,115,120 at June 30, 2021.	\$ 3,516,146	\$ 3,651,016

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

Scheduled principal payments for these long-term obligations during the fiscal years subsequent to June 30, 2021, are as follows:

2022	\$ 240,063
2023	160,833
2024	173,750
2025	185,833
2026	195,833
Thereafter	<u>2,559,834</u>
	<u>\$ 3,516,146</u>

NOTE 8: DISABILITIES PROVIDERS EMERGENCY LOAN PROGRAM

The Arkansas Economic Development Commission (AEDC) established the Development Disabilities Provider Emergency Loan Program (ELP) to preserve jobs and to provide fast and direct economic assistance to Developmental Disabilities Providers (the Providers) with more than 500 employees. The ELP is a form of assistance authorized by the State of Arkansas and provided the Providers with resources to maintain payroll, rehire employees who have been laid off and cover certain overhead costs. During the year ended June 30, 2021, the Organization was approved and received \$2,056,300 in ELP funds. ELP funds are provided to eligible employers and will ultimately be forgiven by the AEDC if certain conditions are met and funds are used for specific costs (as identified under the Code and related implementation guidance). In April 2021, the Organization was granted forgiveness for the full loan amount. The related revenue is included in state assistance on the consolidated statements of activities.

NOTE 9: CAPITAL LEASE OBLIGATIONS

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

The unit is being amortized over its useful life, which management estimates to be fifteen years. The net book value of the equipment being amortized was approximately \$17,900 at June 30, 2020. The lease agreement ended November 14, 2020.

Approximately \$304 and \$2,700 of interest related to capital lease has been included in interest expense for the year ended June 30, 2021 and 2020, respectively.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 10: 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, 2021 and 2020, consist of the following:

	2021	2020
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	\$ 4,811,800	\$ 4,811,800

Net Assets Restricted to Purpose

Net assets restricted to a purpose at June 30, 2021 and 2020, consist of the following:

	2021	2020
Net Assets Donor Restricted to Purpose:		
Contributions for specific supplies	\$ 29,070	\$ 9,556
Contributions for scholarships to Grand Prairie Child Development Center	206,208	136,976
Total net assets donor restricted to purpose	\$ 235,278	\$ 146,532

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net Assets Restricted in Perpetuity

Net assets restricted in perpetuity at June 30, 2021 and 2020, include approximately \$65,000 of contributions received by the Organization, the corpus of which may not be used for any purpose other than investment in perpetuity, while the income earned may be used to enhance the independence or lifestyle of a disabled individual. The remaining balance of net assets restricted in perpetuity of approximately \$10,000 is attributable to the Infant Scholarship Fund, the income of which is used to provide financial assistance to those infants in the Organization's outpatient therapy program whose families are unable to pay for needed services.

NOTE 11: RETIREMENT BENEFITS

The Organization provides a 403(b) salary deferral retirement plan that covers substantially all full-time employees. As approved by the Board of Directors, the Organization may elect to contribute up to 3.00% of each participating employee's eligible compensation annually to the 403(b) plan. During the years ended June 30, 2021 and 2020, the Board of Directors approved a 3.00% match contribution to participating and eligible employees.

The Organization also provides a deferred compensation plan for its former President/CEOs that provides periodic payments over an agreed-upon period after separation of this plan. During the year ended June 30, 2021 and 2020, the Board of Directors approved contributions of approximately \$39,000 and \$18,500, respectively. Plan assets totaled approximately \$323,000 and \$440,000, respectively, at June 30, 2021 and 2020, 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 12: 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.

Easterseals Arkansas

Notes to Consolidated Financial Statements June 30, 2021 and 2020

NOTE 13: RISKS AND UNCERTAINTIES

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 14: 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>2021</u>	<u>2020</u>
Cash and cash equivalents - unrestricted	\$ 4,980,470	\$ 3,306,475
Cash and cash equivalents - restricted	505,614	557,298
Grants and contracts receivable, net	1,733,167	2,585,806
Contributions receivable, net	72,260	44,345
Other receivables	10,804	26,894
Investments	<u>2,529,141</u>	<u>2,085,246</u>
Total financial assets	9,831,456	8,606,064
Less:		
Net assets donor restricted to passage of time	(4,811,800)	(4,811,800)
Net assets donor restricted to purpose	(235,278)	(146,532)
Net assets donor restricted in perpetuity	(75,097)	(75,097)
Restricted cash and equivalents	<u>(505,614)</u>	<u>(557,298)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,203,667</u>	<u>\$ 3,015,337</u>

NOTE 15: SUBSEQUENT EVENTS

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

Management has evaluated subsequent events through August 11, 2022, 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, 2021

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
SUPPORT, REVENUE AND GAINS (LOSSES)							
Fees and Grants from Government Agencies							
Medicaid	\$ 9,005,883	\$ 8,632,410	\$ 17,638,293	\$ -	\$ -	\$ -	\$ 17,638,293
Federal awards	1,238,184	798,229	2,036,413	761,217	-	761,217	2,797,630
State assistance	281,088	116,586	397,674	2,056,300	-	2,056,300	2,453,974
Public Support							
Contributions	15,603	22,195	37,798	4,082	335,311	339,393	377,191
Special events	-	-	-	-	356,682	356,682	356,682
Other							
Private pay and insurance	904,674	121,688	1,026,362	-	-	-	1,026,362
Workshop fees	55,401	-	55,401	-	-	-	55,401
Contract service fees	407,329	-	407,329	-	-	-	407,329
Rental income	-	204,954	204,954	41,480	-	41,480	246,434
Investment income	-	559	559	4,667	36,218	40,885	41,444
Loss on disposal of property and equipment	-	-	-	(8,383)	-	(8,383)	(8,383)
Net appreciation (depreciation) in fair value of investments	-	-	-	44,267	261,522	305,789	305,789
Miscellaneous	16,864	1,469	18,333	109,816	262	110,078	128,411
Total Support, Revenue and Gains (Losses)	11,925,026	9,898,090	21,823,116	3,013,446	989,995	4,003,441	25,826,557

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Combining Schedule of Support, Revenue and Direct Expenses *(Continued)* Year Ended June 30, 2021

	Program Services			Supporting Services			Total
	Children	Adult	Total Program Services	Administration	Fundraising	Total Supporting Services	
DIRECT EXPENSES							
Salaries	\$ 8,141,419	\$ 6,922,561	\$ 15,063,980	\$ 1,129,706	\$ 285,029	\$ 1,414,735	\$ 16,478,715
Payroll taxes and benefits	1,235,160	1,026,121	2,261,281	195,186	50,279	245,465	2,506,746
Professional fees	957,662	176,086	1,133,748	938,493	95,886	1,034,379	2,168,127
Supplies	636,796	133,737	770,533	144,237	95,987	240,224	1,010,757
Taxes and licenses	288,729	78,475	367,204	32,125	-	32,125	399,329
Telephone	23,723	31,239	54,962	16,288	901	17,189	72,151
Postage and shipping	4,107	1,147	5,254	4,947	1,363	6,310	11,564
Occupancy	213,328	128,693	342,021	21,340	5,020	26,360	368,381
Insurance	95,049	76,011	171,060	91,780	2,346	94,126	265,186
Printing	724	-	724	142	49	191	915
Transportation and travel	36,215	19,834	56,049	12,642	989	13,631	69,680
Employee recruitment/retention	57,003	31,186	88,189	30,029	387	30,416	118,605
Staff development	30,315	17,942	48,257	31,550	6,463	38,013	86,270
Specific assistance to individuals	-	60,394	60,394	226	-	226	60,620
National dues and subscriptions	-	-	-	58,678	-	58,678	58,678
Other dues and subscriptions	9,417	283	9,700	21,857	1,391	23,248	32,948
Repairs and maintenance	139,843	219,560	359,403	27,970	5,116	33,086	392,489
Interest	3,667	158,313	161,980	203	-	203	162,183
Miscellaneous	-	-	-	(4,171)	-	(4,171)	(4,171)
Provision for uncollectible accounts	73,674	21,545	95,219	-	2,575	2,575	97,794
Depreciation and amortization	351,771	362,220	713,991	58,352	13,300	71,652	785,643
Total Direct Expenses	12,298,602	9,465,347	21,763,949	2,811,580	567,081	3,378,661	25,142,610
Excess of Revenue and Support over Direct Expenses/(Excess of Direct Expenses over Revenue and Support)	\$ (373,576)	\$ 432,743	\$ 59,167	\$ 201,866	\$ 422,914	\$ 624,780	\$ 683,947

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses Children Services Division Year Ended June 30, 2021

	<u>Outpatient Therapy</u>	<u>LR Preschool</u>	<u>Grand Prairie CDC</u>	<u>Outreach</u>	<u>The Academy</u>	<u>Education</u>	<u>Residential</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS								
Fees and Grants from Government Agencies								
Medicaid	\$ 1,547,387	\$ 1,178,942	\$ 547,024	\$ -	\$ 45,773	\$ -	\$ 5,686,757	\$ 9,005,883
Federal awards	-	78,334	45,925	1,113,925	-	-	-	1,238,184
State assistance	-	1,865	-	53,000	-	140,113	86,110	281,088
Public Support								
Contributions	4,590	2,112	-	-	8,190	75	636	15,603
Other								
Private pay and insurance	375,900	49,163	4,400	-	406,602	-	68,609	904,674
Workshop fees	-	-	-	55,401	-	-	-	55,401
Contract service fees	-	-	-	-	-	407,329	-	407,329
Miscellaneous	-	16,864	-	-	-	-	-	16,864
Total Support, Revenue and Gains	<u>1,927,877</u>	<u>1,327,280</u>	<u>597,349</u>	<u>1,222,326</u>	<u>460,565</u>	<u>547,517</u>	<u>5,842,112</u>	<u>11,925,026</u>
DIRECT EXPENSES								
Salaries	1,343,976	1,081,996	432,256	833,070	403,985	362,239	3,683,897	8,141,419
Payroll taxes and benefits	200,896	158,542	69,995	121,250	64,092	64,249	556,136	1,235,160
Professional fees	214,628	-	34,305	26,852	17,574	23,124	641,179	957,662
Supplies	33,795	62,729	43,634	60,988	16,850	3,593	415,207	636,796
Taxes and licenses	-	-	-	-	3,660	-	285,069	288,729
Telephone	4,309	3,021	3,708	2,795	1,765	1,169	6,956	23,723
Postage and shipping	1,215	470	4	761	92	18	1,547	4,107
Occupancy	20,222	19,227	26,259	11,513	24,669	11,649	99,789	213,328
Insurance	7,527	8,981	4,105	11,340	15,321	4,713	43,062	95,049

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses (Continued)
Children Services Division (Continued)
Year Ended June 30, 2021

	<u>Outpatient Therapy</u>	<u>LR Preschool</u>	<u>Grand Prairie CDC</u>	<u>Outreach</u>	<u>The Academy</u>	<u>Education</u>	<u>Residential</u>	<u>Total</u>
DIRECT EXPENSES (Continued)								
Printing	\$ 298	\$ 288	\$ -	\$ -	\$ 138	\$ -	\$ -	\$ 724
Transportation and travel	929	-	1,576	27,096	532	-	6,082	36,215
Employee recruitment/retention	3,595	6,646	2,233	1,128	1,328	1,677	40,396	57,003
Staff development	5,019	1,811	3,603	6,460	3,023	1,399	9,000	30,315
Other dues and subscriptions	2,773	-	-	2,976	299	150	3,219	9,417
Repairs and maintenance	16,181	19,694	10,081	18,708	18,255	1,557	55,367	139,843
Interest	3,667	-	-	-	-	-	-	3,667
Miscellaneous	2,905	1,500	210	(5,565)	950	-	-	-
Provision for uncollectible accounts	44,000	4,000	1,500	-	2,000	-	22,174	73,674
Depreciation and amortization	36,204	51,615	17,777	54,175	4,317	16,242	171,441	351,771
Total Direct Expenses	<u>1,942,139</u>	<u>1,420,520</u>	<u>651,246</u>	<u>1,173,547</u>	<u>578,850</u>	<u>491,779</u>	<u>6,040,521</u>	<u>12,298,602</u>
ALLOCATION OF ADMINISTRATIVE COST	<u>267,464</u>	<u>213,729</u>	<u>79,046</u>	<u>142,454</u>	<u>70,265</u>	<u>59,696</u>	<u>733,287</u>	<u>1,565,941</u>
Total Expenses and Allocation	<u>2,209,603</u>	<u>1,634,249</u>	<u>730,292</u>	<u>1,316,001</u>	<u>649,115</u>	<u>551,475</u>	<u>6,773,808</u>	<u>13,864,543</u>
	<u>\$ (281,726)</u>	<u>\$ (306,969)</u>	<u>\$ (132,943)</u>	<u>\$ (93,675)</u>	<u>\$ (188,550)</u>	<u>\$ (3,958)</u>	<u>\$ (931,696)</u>	<u>\$ (1,939,517)</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses Adult Services Division Year Ended June 30, 2021

	Adult Day 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	\$ 1,151,973	\$ 714,520	\$ 6,764,380	\$ 1,537	\$ -	\$ -	\$ -	\$ 8,632,410
Federal awards	473,864	-	-	100,605	74,868	83,037	65,855	798,229
State assistance	116,586	-	-	-	-	-	-	116,586
Public Support								
Contributions	1,745	10,250	-	10,000	-	-	200	22,195
Other								
Private pay and insurance	20,540	101,148	-	-	-	-	-	121,688
Rental income	36,570	-	-	42,057	43,726	42,095	40,506	204,954
Investment income	-	-	-	50	152	174	183	559
Miscellaneous	1,469	-	-	-	-	-	-	1,469
Total Support, Revenue and Gains	1,802,747	825,918	6,764,380	154,249	118,746	125,306	106,744	9,898,090
DIRECT EXPENSES								
Salaries	1,020,287	458,024	5,255,528	58,608	44,462	42,892	42,760	6,922,561
Payroll taxes and benefits	159,744	66,371	762,793	10,649	9,008	8,758	8,798	1,026,121
Professional fees	87,526	14,345	17,215	14,250	14,250	14,250	14,250	176,086
Supplies	40,295	56,654	19,277	5,376	4,115	2,593	5,427	133,737
Taxes and licenses	-	78,475	-	-	-	-	-	78,475
Telephone	14,613	2,476	5,311	2,243	1,985	1,984	2,627	31,239
Postage and shipping	273	341	287	59	70	58	59	1,147
Occupancy	50,458	19,166	6,591	14,630	11,742	14,099	12,007	128,693
Insurance	30,199	7,847	3,079	9,991	8,658	9,125	7,112	76,011
Transportation and travel	12,663	2,391	558	2,093	718	722	689	19,834
Employee recruitment/retention	4,784	1,669	24,374	50	124	47	138	31,186

(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Support, Revenue and Direct Expenses (Continued)
Adult Services Division (Continued)
Year Ended June 30, 2021

	<u>Adult Day Program</u>	<u>Residential</u>	<u>Community Services</u>	<u>Armistead Apartments</u>	<u>Charlotte Gardens Apartments</u>	<u>Wilson Court II Apartments</u>	<u>Harold Court Apartments</u>	<u>Total</u>
DIRECT EXPENSES (Continued)								
Staff development	\$ 2,030	\$ 1,205	\$ 13,383	\$ 925	\$ 130	\$ 130	\$ 139	\$ 17,942
Specific assistance to individuals	-	-	60,394	-	-	-	-	60,394
Other dues and subscriptions	35	200	-	-	16	16	16	283
Repairs and maintenance	65,180	37,795	6,716	40,072	22,870	25,825	21,102	219,560
Interest	158,313	-	-	-	-	-	-	158,313
Miscellaneous	-	-	-	-	-	-	-	-
Provision for uncollectible accounts	6,045	500	15,000	-	-	-	-	21,545
Depreciation and amortization	204,833	6,689	14,556	28,404	25,860	35,925	45,953	362,220
Total Direct Expenses	1,857,278	754,148	6,205,062	187,350	144,008	156,424	161,077	9,465,347
ALLOCATION OF ADMINISTRATIVE COST	225,312	91,544	767,371	22,742	17,481	18,988	19,553	1,162,991
Total Expenses and Allocation	2,082,590	845,692	6,972,433	210,092	161,489	175,412	180,630	10,628,338
	<u>\$ (279,843)</u>	<u>\$ (19,774)</u>	<u>\$ (208,053)</u>	<u>\$ (55,843)</u>	<u>\$ (42,743)</u>	<u>\$ (50,106)</u>	<u>\$ (73,886)</u>	<u>\$ (730,248)</u>

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Program Units of Service Year Ended June 30, 2021

	Unit of Service	Number of Program Units of Service Provided				Total
		Medicaid	Federal Awards	State Awards	Private Pay	
40-bed residential:						
ICF/MR	Day	13,259	-	-	-	13,259
10-bed residential ICF/MR	Day	3,650	-	-	-	3,650
Adult development	Hour	92,136	-	5,243	-	97,379
Preschool	Hour	99,418	-	-	-	99,418
Transportation	Mile	2,227	-	-	-	2,227
Transportation	Day	-	-	-	240	240
Work activity	Hour	-	-	7,823	-	7,823

See Independent Auditor's Report.

**Other Reports
and
Supplemental Information**



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

Independent Auditor's Report

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **Easterseals Arkansas** and affiliates (collectively, "**the Organization**"), which comprise the consolidated statement of financial position as of June 30, 2021, 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 August 11, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

The Board of Directors
Easterseals Arkansas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
August 11, 2022



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

Independent Auditor's Report

The Board of Directors
Easterseals Arkansas
Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

We have audited **Easterseals Arkansas** and affiliates' (collectively "**the Organization**"), compliance with the types of compliance requirements described in the OMB Compliance Statement that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

The Board of Directors
Easterseals Arkansas

Opinion on Each of the Other Major Federal Programs

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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



Little Rock, Arkansas
August 11, 2022

Easterseals Arkansas

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

	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	\$ 100,605
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Charlotte Gardens, Inc.)	14.181	74,868
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Wilson Court II)	14.181	83,037
Supportive Housing for Persons with Disabilities (Section 811) – Rental Assistance (Harold Court)	14.181	65,855
Total U.S. Department of Housing and Urban Development		324,365
U.S. Department of Education		
Passed through Arkansas Department of Education:		
Special Education Cluster:		
Special Education – Grants to States (IDEA, Part B):		
Outreach	84.027	1,113,925
Passed through Arkansas Rehabilitation Services:		
Rehabilitation Services – Vocational Rehabilitation Grants to States:		
Academics, Community, Career Development and Employment program	84.126	57,844
High School Transition	84.126	191,820
Supportive Employment	84.126	21,250
		270,914
Total U.S. Department of Education		1,384,839
		(Continued)

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards *(Continued)* Year Ended June 30, 2021

U.S. Department of Health and Human Services

Passed through Arkansas Department of Human Services:

Child Care and Development Block Grant	93.575	\$ 119,730
Foster Care – Title IV-E	93.658	4,529
Social Services Block Grant - Service Operational Contract	93.667	49,953
Arkansas Council on Developmental Disabilities and Protection and Advocacy Systems	93.630	<u>63,436</u>

Total U.S. Department of Health and Human Services 237,648

U.S. Department of Transportation

Passed through Arkansas Department of Transportation:

Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	<u>89,561</u>
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Total U.S. Department of Transportation 89,561

U.S. Department of Treasury

Passed through Arkansas Department of Commerce

Coronavirus Relief Funds - AR Ready for Business Grant	21.019	<u>49,621</u>
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Total Expenditures \$ 2,086,034

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 1,237,500

Supportive Housing for Persons with Disabilities (Section 811) –
Capital Advance (Harold Court)

14.181 1,491,000

Total Capital Advances \$ 4,559,800

See Independent Auditor’s Report.

Easterseals Arkansas

Schedule of Expenditures of Federal Awards *(Continued)* Year Ended June 30, 2021

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, 2021. 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, 2021 was \$17,638,293.

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.

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of State Assistance Year Ended June 30, 2021

	<u>Revenues</u>	<u>Expenditures</u>
STATE ASSISTANCE		
Arkansas Department of Human Services		
Division of Developmental Disabilities Services – Service Operational Contract	\$ 45,014	\$ 45,014
Foster Care - State	86,110	86,110
Arkansas Early Childhood Association - TEACH	1,865	1,865
Total Arkansas Department of Human Services	132,989	132,989
Arkansas Department of Education		
Arkansas Department of Education	193,113	193,113
Total Arkansas Department of Education	193,113	193,113
Arkansas Department of Career Education		
Passed through Arkansas Rehabilitation Services Vocational Rehabilitation Grants Academics, Community, Career Development and Employment program	15,542	15,542
High School Transition	52,030	52,030
Supportive Employment	-	-
Total Arkansas Department of Career Education	67,572	67,572
Arkansas Department of Commerce		
Passed through Arkansas Economic Development Commission Developmental Disabilities Providers Emergency Loan Program	2,056,300	2,056,300
Total Arkansas Department of Commerce	2,056,300	2,056,300
Arkansas Department of Workforce Services		
Division of Services for the Blind	4,000	4,000
Total Arkansas Department of Workforce Services	4,000	4,000
Total State Assistance	\$ 2,453,974	\$ 2,453,974

See Independent Auditor's Report.

Easterseals Arkansas

Schedule of Findings and Questioned Costs Year Ended June 30, 2021

Section I - Summary of Auditor's Results

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