

**EASTER SEALS TENNESSEE, INC.**

**FINANCIAL STATEMENTS**

**August 31, 2017 and 2016**

**EASTER SEALS TENNESSEE, INC.**

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**EASTER SEALS TENNESSEE, INC.**  
**ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF**  
**As of August 31, 2017**

**Board of Directors**

John Pfeiffer	Chairman
Chuck Mataya	Vice Chairman
Jeff Bridges	Treasurer
Blake Estes	Secretary
Mike Campbell	Board Member
Steve Deckard	Board Member
Fred Dowling	Board Member
Jocelynne McCall	Board Member
Lee Molette	Board Member
Robyn Morrissey	Board Member
Perry Moulds	Board Member
Rhonda Phillippi	Board Member
Glenn Rose	Board Member
Steve Zimmerman	Board Member

**Executive Staff**

Tim Ryerson	President and CEO
Christy Cochran	VP of Operations
Cathy Breland	Director of Development & Special Events
Susan Brown	Chief Financial Officer
Gay Bruner	Director of Camping & Respite
Jayne Harrison	Director of Human Resources
Jennifer Wang	Director of Programs & Services



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Easter Seals Tennessee, Inc.  
Nashville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Easter Seals Tennessee, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Easter Seals Tennessee, Inc. as of August 31, 2017 and 2016, and the changes in its net assets and its 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance 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 a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of Easter Seals Tennessee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial 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 Easter Seals Tennessee, Inc.'s internal control over financial reporting and compliance.

*Fraser, Dean & Howard, PLLC*

Nashville, Tennessee  
November 17, 2017

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 184,944	\$ 197,233
Accounts receivable	986,320	742,249
Prepaid expenses and other	67,949	63,106
Total current assets	1,239,213	1,002,588
Property and equipment, net	346,151	258,310
Beneficial interest in assets at		
Community Foundation of Middle Tennessee	15,083	13,947
Total assets	<u>\$ 1,600,447</u>	<u>\$ 1,274,845</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 109,832	\$ 58,439
Accrued expenses	465,901	365,494
Advanced payments - State of Tennessee	-	240,000
Notes payable, current	36,336	36,336
Total current liabilities	612,069	700,269
Advanced payments - State of Tennessee,		
net of current portion	-	91,066
Notes payable, net of current portion	61,028	97,364
Total liabilities	673,097	888,699
Net assets:		
Unrestricted		
Undesignated	898,067	357,149
Designated for endowment	13,919	12,783
Total unrestricted net assets	911,986	369,932
Temporarily restricted	14,200	15,050
Permanently restricted	1,164	1,164
Total net assets	927,350	386,146
Total liabilities and net assets	<u>\$ 1,600,447</u>	<u>\$ 1,274,845</u>

See accompanying notes.

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Change in unrestricted net assets:</b>		
Public support and revenue:		
Government fees and grants	\$ 5,972,469	\$ 6,153,871
Contract services	825,560	489,340
Gain on forgiveness of advanced payments	231,066	-
Contributions (includes in-kind of \$19,515 in 2016)	170,197	170,423
Camp fees	110,005	107,310
Special events, net of event costs of \$34,528 and \$37,865, respectively	87,497	64,550
Gain on sale of property and equipment	18,896	800
Other revenue	2,000	4,554
Released from restriction for purpose accomplished	850	-
Total public support and revenue	<u>7,418,540</u>	<u>6,990,848</u>
Expenses:		
Program services:		
Direct services	6,373,580	6,169,914
Public health education	17,965	17,384
Total program services	<u>6,391,545</u>	<u>6,187,298</u>
Supporting services:		
Management and general	328,417	399,049
Fundraising	98,988	128,999
Total supporting services	<u>427,405</u>	<u>528,048</u>
National program fee	<u>57,536</u>	<u>52,183</u>
Total expenses	<u>6,876,486</u>	<u>6,767,529</u>
Change in unrestricted net assets	<u>542,054</u>	<u>223,319</u>
<b>Change in temporarily restricted net assets:</b>		
Temporarily restricted contributions	-	15,050
Released from restriction for purpose accomplished	<u>(850)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>(850)</u>	<u>15,050</u>
Change in net assets	541,204	238,369
Net assets at beginning of year	<u>386,146</u>	<u>147,777</u>
Net assets at end of year	<u><u>\$ 927,350</u></u>	<u><u>\$ 386,146</u></u>

See accompanying notes.

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2017**

	<b>Program Services</b>			<b>Supporting Services</b>			<b>National Program Fee</b>	<b>Total Expenses</b>
	<b>Direct Services</b>	<b>Public Health Education</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>		
Salaries and related expenses	\$ 5,237,184	\$ 15,759	\$ 5,252,943	\$ 186,745	\$ 80,625	\$ 267,370	\$ -	\$ 5,520,313
Supplies	233,952	-	233,952	2,222	1,481	3,703	-	237,655
Occupancy	157,656	-	157,656	73,962	-	73,962	-	231,618
Insurance	214,365	645	215,010	4,728	1,939	6,667	-	221,677
Professional fees	168,029	506	168,535	36,967	4,537	41,504	-	210,039
Travel and transportation	146,834	442	147,276	3,074	1,042	4,116	-	151,392
Depreciation	106,350	320	106,670	8,296	3,556	11,852	-	118,522
National program fee	-	-	-	-	-	-	57,536	57,536
Telephone	43,258	130	43,388	3,060	502	3,562	-	46,950
Rental and maintenance of equipment	20,880	63	20,943	1,532	1,261	2,793	-	23,736
Utilities	16,707	50	16,757	-	-	-	-	16,757
Conferences, conventions and meetings	11,974	36	12,010	1,868	450	2,318	-	14,328
Membership and support payments	11,630	-	11,630	1,275	366	1,641	-	13,271
Miscellaneous	-	-	-	3,573	-	3,573	-	3,573
Postage and shipping	650	2	652	746	1,925	2,671	-	3,323
Building and grounds maintenance	2,462	7	2,469	-	-	-	-	2,469
Printing and publications	750	2	752	168	1,304	1,472	-	2,224
Advertising	899	3	902	34	-	34	-	936
Interest	-	-	-	167	-	167	-	167
<b>Total expenses</b>	<b>\$ 6,373,580</b>	<b>\$ 17,965</b>	<b>\$ 6,391,545</b>	<b>\$ 328,417</b>	<b>\$ 98,988</b>	<b>\$ 427,405</b>	<b>\$ 57,536</b>	<b>\$ 6,876,486</b>

See accompanying notes.



**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended August 31, 2016**

	<b>Program Services</b>			<b>Supporting Services</b>			<b>National Program Fee</b>	<b>Total Expenses</b>
	<b>Direct Services</b>	<b>Public Health Education</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>		
Salaries and related expenses	\$ 5,100,159	\$ 15,348	\$ 5,115,507	\$ 234,319	\$ 110,356	\$ 344,675	\$ -	\$ 5,460,182
Occupancy	168,042	-	168,042	72,852	-	72,852	-	240,894
Insurance	218,470	657	219,127	5,927	2,776	8,703	-	227,830
Supplies	212,811	-	212,811	1,931	1,141	3,072	-	215,883
Professional fees	159,852	481	160,333	53,287	2,256	55,543	-	215,876
Travel and transportation	119,051	358	119,409	4,732	193	4,925	-	124,334
Depreciation	95,036	286	95,322	7,414	3,177	10,591	-	105,913
National program fee	-	-	-	-	-	-	52,183	52,183
Telephone	36,646	110	36,756	3,710	671	4,381	-	41,137
Rental and maintenance of equipment	20,552	62	20,614	1,555	1,239	2,794	-	23,408
Membership and support payments	12,276	-	12,276	3,572	618	4,190	-	16,466
Utilities	15,588	47	15,635	-	-	-	-	15,635
Conferences, conventions and meetings	5,852	18	5,870	3,187	1,439	4,626	-	10,496
Postage and shipping	957	3	960	1,599	3,253	4,852	-	5,812
Building and grounds maintenance	3,571	11	3,582	1,005	-	1,005	-	4,587
Miscellaneous	-	-	-	2,728	-	2,728	-	2,728
Printing and publications	138	-	138	648	1,880	2,528	-	2,666
Advertising	913	3	916	-	-	-	-	916
Interest	-	-	-	583	-	583	-	583
<b>Total expenses</b>	<b>\$ 6,169,914</b>	<b>\$ 17,384</b>	<b>\$ 6,187,298</b>	<b>\$ 399,049</b>	<b>\$ 128,999</b>	<b>\$ 528,048</b>	<b>\$ 52,183</b>	<b>\$ 6,767,529</b>

See accompanying notes.

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended August 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 541,204	\$ 238,369
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,522	105,913
Gain on disposal of property and equipment	(18,896)	(800)
Gain on forgiveness of advanced payments	(231,066)	-
Donated property and equipment	(141,759)	(19,515)
Changes in operating assets and liabilities:		
Accounts receivable	(244,071)	(5,640)
Prepaid expenses and other	(4,843)	10,948
Beneficial interest in assets held by others	(1,136)	-
Accounts payable	51,393	(9,075)
Accrued expenses	100,407	17,403
Advanced payments - State of Tennessee	(100,000)	(305,000)
Net cash provided by operating activities	<u>69,755</u>	<u>32,603</u>
Cash flows from investing activities:		
Net proceeds from disposal of property and equipment	19,371	800
Purchases of property and equipment	(65,079)	-
Net cash (used in) provided by investing activities	<u>(45,708)</u>	<u>800</u>
Cash flows from financing activities:		
Payments on notes payable	(36,336)	(38,592)
Draws on line of credit	538,600	1,953,000
Repayments on line of credit	(538,600)	(1,953,000)
Net cash used in financing activities	<u>(36,336)</u>	<u>(38,592)</u>
Net decrease in cash and cash equivalents	(12,289)	(5,189)
Cash and cash equivalents at beginning of year	197,233	202,422
Cash and cash equivalents at end of year	<u>\$ 184,944</u>	<u>\$ 197,233</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 167</u>	<u>\$ 583</u>
Non-cash investing and financing activity:		
Forgiveness of advanced payments	<u>\$ 231,066</u>	<u>\$ -</u>
Donated property and equipment	<u>\$ 141,759</u>	<u>\$ 19,515</u>

See accompanying notes.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**August 31, 2017 and 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Easter Seals Tennessee, Inc. (“Easter Seals”) is a not-for-profit organization organized in Nashville, Tennessee in 1923. Easter Seals provides programs and services to children and adults with disabilities throughout Tennessee.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Easter Seals and changes therein are classified and reported as follows:

Unrestricted net assets:

*Undesignated* – net assets that are not subject to donor-imposed stipulations or designated by Easter Seals’ board of directors.

*Designated* – net assets designated by Easter Seals’ board of directors for particular purposes, presently designated by the board for endowment.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of Easter Seals and/or the passage of time. Temporarily restricted net assets consisted of contributions for camp scholarships. The balances of temporarily restricted net assets at August 31, 2017 and 2016 were \$14,200 and \$15,050, respectively.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by Easter Seals. Generally, donors of these assets may permit Easter Seals to use all or part of the income earned for general or specific purposes. Permanently restricted net assets totaled \$1,164 at August 31, 2017 and 2016 and are restricted for endowment.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, Easter Seals considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

**Accounts Receivable**

Accounts receivable are considered fully collectible. Accordingly, no allowance for doubtful accounts has been provided.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2017 and 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Property and Equipment**

Easter Seals generally capitalizes an asset if its life is estimated to be one year or greater and the cost is \$1,000 or greater. Property and equipment are recorded at cost when purchased or at estimated fair value as of the date contributed. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

**Income Taxes**

Easter Seals is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

Easter Seals follows Financial Accounting Standards Board Accounting Standards Codification guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Easter Seals has no tax penalties or interest reported in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Contributions**

Contributions are recognized when the donor makes a promise to give to Easter Seals that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2017 and 2016**

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Donated Services**

The services of volunteer workers are not assigned a value as such services do not generally meet the criteria for recognition. However, Easter Seals uses the services of volunteers in carrying out its program efforts. The donations of professional services are recorded at fair market value as gifts-in-kind, if a measurable basis of the value exists. There were no such donations in fiscal 2017 and 2016.

**Subsequent Events**

Easter Seals evaluated subsequent events through November 17, 2017, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 2 – ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at August 31:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Accounts receivable	\$ 455,625	\$ 227,174
Fees receivable from state agencies	<u>530,695</u>	<u>515,075</u>
Total accounts receivable	<u><u>\$ 986,320</u></u>	<u><u>\$ 742,249</u></u>

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at August 31:

	<u><b>2017</b></u>	<u><b>2016</b></u>
Leasehold improvements	\$ 32,765	\$ 6,624
Vehicles	940,792	841,594
Equipment	<u>175,797</u>	<u>200,621</u>
	1,149,354	1,048,839
Less accumulated depreciation	<u>(803,203)</u>	<u>(790,529)</u>
Net property and equipment	<u><u>\$ 346,151</u></u>	<u><u>\$ 258,310</u></u>

Depreciation expense totaled \$118,522 and \$105,913 for the years ended August 31, 2017 and 2016, respectively.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2017 and 2016**

**NOTE 4 – BENEFICIAL INTEREST IN ASSETS AT COMMUNITY FOUNDATION OF MIDDLE TENNESSEE**

The Community Foundation of Middle Tennessee (the “Community Foundation”) maintains agency investments on behalf of Easter Seals. Under the terms of the agreement, the Community Foundation has variance power and is the legal owner of the investments. However, Easter Seals is the beneficiary of the fund and receives distributions of income, subject to the Community Foundation’s spending policy. The investments resulted from unrestricted amounts transferred by Easter Seals to the Community Foundation, in addition to other donor contributions and earnings. Easter Seals has recorded the related asset “beneficial interest in assets at Community Foundation of Middle Tennessee” in the accompanying statements of financial position totaling \$15,083 and \$13,947 at August 31, 2017 and 2016, respectively.

**NOTE 5 – ADVANCED PAYMENTS – STATE OF TENNESSEE**

Advanced payments – State of Tennessee (“State”) totaled \$331,066 at August 31, 2016. During the year ended August 31, 2017 and 2016, monthly installments of \$20,000 were paid as agreed upon by Easter Seals and the State. In February 2017, the State forgave the remaining balance of \$231,066. This amount is recognized as a gain from forgiveness of advanced payments in the accompanying statement of activities.

**NOTE 6 – NOTES PAYABLE**

Notes payable is comprised of the following at August 31:

	<u>2017</u>	<u>2016</u>
Note payable, due in 72 monthly installments beginning June 2013, interest at 0% per annum.	\$ 20,898	\$ 32,922
Note payable, due in 72 monthly installments beginning April 2014, interest at 0% per annum.	30,918	42,942
Note payable, due in 72 monthly installments beginning October 2014, interest at 0% per annum.	11,800	15,640
Note payable, due in 72 monthly installments beginning July 2015, interest at 0% per annum.	<u>33,748</u>	<u>42,196</u>
	<u>\$ 97,364</u>	<u>\$ 133,700</u>

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2017 and 2016**

**NOTE 6 – NOTES PAYABLE (Continued)**

The following represents principal maturities of notes payable as of August 31, 2017:

Year ending <u>August 31,</u>	
2018	\$ 36,336
2019	33,186
2020	19,158
2021	<u>8,684</u>
Total principal maturities	97,364
Less current portion	<u>(36,336)</u>
Long-term obligations	<u>\$ 61,028</u>

**NOTE 7 – LINE OF CREDIT**

At August 31, 2017 and 2016, Easter Seals had available a revolving line of credit with a bank, with interest rates at the bank's index rate plus 1.0%. The current agreement provides for short-term borrowings of up to \$250,000 with interest payable monthly. The line of credit is secured by all assets of Easter Seals, primarily accounts receivable and property. The agreement matures in April 2019. The Organization had no outstanding borrowings under this agreement at August 31, 2017 or 2016.

**NOTE 8 – ALLOCATION OF FUNCTIONAL EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates made by management.

**NOTE 9 – CONCENTRATIONS**

Easter Seals maintains its cash in bank accounts that at times may exceed federally insured limits. Easter Seals has not experienced any losses in such accounts. Deposits are insured by the FDIC up to statutory limits. Management believes Easter Seals is not exposed to any significant credit risk regarding cash balances.

Easter Seals receives a substantial amount of its support from governmental grants and contracts. During fiscal years 2017 and 2016, Easter Seals received approximately 80% and 90%, respectively, of its support and revenue from government grants and contracts. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on Easter Seals' programs and services.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2017 and 2016**

**NOTE 9 – CONCENTRATIONS (Continued)**

At August 31, 2017 and 2016, Easter Seals had \$530,695 and \$515,075, respectively, due in fees receivable from government entities.

**NOTE 10 – EMPLOYEE BENEFIT PLAN**

During 2003, Easter Seals implemented a defined contribution retirement plan for the benefit of all employees. Employees are allowed to make contributions on a pre-tax basis. The plan provides for Easter Seals to make a discretionary contribution to the plan. No employer contributions were made to the plan during 2017 or 2016.

**NOTE 11 – LEASE COMMITMENTS**

Easter Seals leases certain buildings and equipment under noncancelable lease agreements, all of which are considered operating leases. Minimum payments for these lease commitments are as follows:

Year ending <u>August 31,</u>	
2018	\$ 145,098
2019	146,912
2020	91,236
2021	71,287
2022	<u>32,550</u>
	<u>\$ 487,083</u>

Rent expense under all operating leases amounted to \$246,205 and \$255,494 for the years ended August 31, 2017 and 2016, respectively.

**NOTE 12 – CONTINGENCIES**

Easter Seals is subject to various claims and legal actions which arise in the ordinary course of business. Easter Seals has professional liability insurance to protect against such claims or legal actions on a claims-made basis. In the opinion of management, the ultimate resolution of any claims will be adequately covered by the insurance and will not have a material adverse effect on Easter Seals' financial position or results of operations.



## **SUPPLEMENTAL INFORMATION**

**EASTER SEALS TENNESSEE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Year Ended August 31, 2017**

Grantor	Program Name	CFDA Number	Contract Number	Expenditures
<b>Federal Awards:</b>				
U.S. Department of Transportation Passed Through:				
State of Tennessee Dept. of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		\$ 70,024
State of Tennessee Dept. of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		55,984
Total CFDA No. 20.513				126,008
Total U.S. Department of Transportation				126,008
<b>Total Federal Awards</b>				<b>126,008</b>
<b>State Financial Assistance:</b>				
State of Tennessee Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	N/A	40100-09416	8,753
State of Tennessee Department of Transportation	Enhanced Mobility of Seniors and Individuals with Disabilities	N/A	40100-22817	6,998
Total State of Tennessee Department of Transportation				15,751
State of Tennessee Department of Health				
Traumatic Brain Injury Program			GR-16-45153-01	69,987
Total State of Tennessee Department of Health				69,987
<b>Total State Financial Assistance</b>				<b>85,738</b>
<b>Total Federal Awards and State Financial Assistance</b>				<b>\$ 211,746</b>

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") summarizes the expenditures of Easter Seals Tennessee, Inc. under programs of the federal and state governments for the year ended August 31, 2017. The schedule is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the State of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Government Units and Other Organizations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Easter Seals Tennessee, Inc. expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimus cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of  
Easter Seals Tennessee, Inc.  
Nashville, Tennessee

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 Tennessee, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, 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 November 17, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Easter Seals Tennessee, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easter Seals Tennessee, Inc.'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 Easter Seals Tennessee, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Fraser, Dean & Howard, PLLC*

Nashville, Tennessee  
November 17, 2017

**EASTER SEALS TENNESSEE, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended August 31, 2017**

There were no prior findings reported.