

# **EASTER SEALS TENNESSEE, INC.**

## **FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

***As of and for the Year Ended August 31, 2018***

***And Report of Independent Auditor***

EASTER SEALS TENNESSEE, INC.  
TABLE OF CONTENTS

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**ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF ..... 1**

**REPORT OF INDEPENDENT AUDITOR.....2-3**

**FINANCIAL STATEMENTS**

    Statement of Financial Position .....4

    Statement of Activities .....5

    Statement of Functional Expenses .....6

    Statement of Cash Flows .....7

    Notes to the Financial Statements .....8-13

**SUPPLEMENTAL INFORMATION**

    Schedule of Expenditures of State Financial Assistance ..... 14

    Notes to the Expenditures of State Financial Assistance ..... 15

    Report of Independent Auditor 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*..... 16-17

    Schedule of Prior Year Findings and Questioned Costs..... 18

**EASTER SEALS TENNESSEE, INC.**  
**ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF**

*AS OF AUGUST 31, 2018*

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**Board of Directors**

John Pfeiffer  
Chuck Mataya  
Steve Deckard  
Steve Zimmerman  
Jeff Bridges  
Blake Estes  
Mike Campbell  
Fred Dowling  
Jocelynn McCall  
Lee Molette  
Robyn Morrissey  
Perry Moulds  
Rhonda Phillippi  
Glenn Rose  
Caryl Healey  
David Beecham

Chairman  
Vice Chairman  
Secretary  
Treasurer  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member  
Board Member

**Executive Staff**

Tim Ryerson  
Christy Cochran  
  
Cathy Breland  
Susan Brown  
Brandy Hudson  
  
Gay Bruner  
Jayme Harrison  
Jennifer Wang

President and CEO  
Director of Professional &  
Certification Services  
Director of Development  
Chief Financial Officer  
Director of Residential &  
Community Services  
Director of Camping & Respite  
Director of Human Resources  
Director of Programs & Services

## **Report of Independent Auditor**

The Board of Directors  
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 statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 11 to the financial statements, Easter Seals Tennessee, Inc. restated net assets to properly record a refund due for state unemployment taxes. Our opinion is not modified with respect to that matter.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of 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 January 24, 2019, 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.



Nashville, Tennessee  
January 24, 2019

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**

*AUGUST 31, 2018*

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 574,339
Accounts receivable	1,321,402
Prepaid expenses and other	<u>63,933</u>
Total Current Assets	1,959,674

Property and equipment, net 279,092

Beneficial interest in assets at

Community Foundation of Middle Tennessee 16,125

**Total Assets** \$ 2,254,891

**LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts payable	\$ 76,745
Accrued expenses	317,171
Notes payable, current	<u>42,541</u>
Total Current Liabilities	436,457

Notes payable, net of current portion 49,432

**Total Liabilities** 485,889

Net Assets:

Unrestricted:

Undesignated	1,739,552
Designated for endowment	<u>14,961</u>
Total Unrestricted Net Assets	1,754,513

Temporarily restricted 13,325

Permanently restricted 1,164

**Total Net Assets** 1,769,002

**Total Liabilities and Net Assets** \$ 2,254,891

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF ACTIVITIES**

*YEAR ENDED AUGUST 31, 2018*

**Change in Unrestricted Net Assets:**

Public Support and Revenue:

Government fees and grants	\$ 6,115,345
Contract services	1,297,354
Contributions	116,208
Camp fees	104,794
Special events, net of event costs of \$42,213 and \$34,528, respectively	81,272
Gain on sale of property and equipment	2,083
Other revenue	749
Released from restriction for purpose accomplished	875
Total Public Support and Revenue	<u>7,718,680</u>

Expenses:

Program Services:

Direct services	6,782,272
Public health education	19,243
Total Program Services	<u>6,801,515</u>

Supporting Services:

Management and general	354,282
Fundraising	99,398
Total Supporting Services	<u>453,680</u>

National program fee	<u>50,190</u>
Total Expenses	<u>7,305,385</u>
Change in Unrestricted Net Assets	<u>413,295</u>

**Change in Temporarily Restricted Net Assets:**

Released from restriction for purpose accomplished	<u>(875)</u>
Change in Temporarily Restricted Net Assets	<u>(875)</u>

Change in net assets	<u>412,420</u>
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Net assets at beginning of year, as previously reported	927,350
Restatement	429,232
Net assets at beginning of year, as restated	<u>1,356,582</u>
Net assets at end of year	<u>\$ 1,769,002</u>

**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED AUGUST 31, 2018*

	Program Services			Supporting Services			National Program Fee	Total Expenses
	Direct Services	Public Health Education	Total	Management and General	Fundraising	Total		
Salaries and related expenses	\$ 5,659,874	\$ 17,031	\$ 5,676,905	\$ 209,342	\$ 82,542	\$ 291,884	\$ -	\$ 5,968,789
Occupancy	152,593	-	152,593	77,704	-	77,704	-	230,297
Supplies	224,094	-	224,094	1,660	1,061	2,721	-	226,815
Insurance	211,577	637	212,214	4,961	1,823	6,784	-	218,998
Professional fees	143,800	433	144,233	36,648	1,386	38,034	-	182,267
Travel and transportation	169,436	510	169,946	2,700	212	2,912	-	172,858
Depreciation	117,395	353	117,748	9,159	3,925	13,084	-	130,832
National program fee	-	-	-	-	-	-	50,190	50,190
Telephone	45,997	138	46,135	2,328	546	2,874	-	49,009
Rental and maintenance of equipment	20,296	61	20,357	1,399	1,115	2,514	-	22,871
Utilities	14,798	45	14,843	-	-	-	-	14,843
Membership and support payments	9,155	-	9,155	2,780	1,466	4,246	-	13,401
Conferences, conventions and meetings	8,452	25	8,477	1,460	321	1,781	-	10,258
Printing and publications	486	1	487	554	2,741	3,295	-	3,782
Postage and shipping	505	2	507	952	2,260	3,212	-	3,719
Miscellaneous	911	-	911	2,635	-	2,635	-	3,546
Building and grounds maintenance	1,861	6	1,867	-	-	-	-	1,867
Interest	546	-	546	-	-	-	-	546
Advertising	496	1	497	-	-	-	-	497
Total expenses	<u>\$ 6,782,272</u>	<u>\$ 19,243</u>	<u>\$ 6,801,515</u>	<u>\$ 354,282</u>	<u>\$ 99,398</u>	<u>\$ 453,680</u>	<u>\$ 50,190</u>	<u>\$ 7,305,385</u>

The accompanying notes to the financial statements are an integral part of this statement.



**EASTER SEALS TENNESSEE, INC.**  
**STATEMENT OF CASH FLOWS**

*YEAR ENDED AUGUST 31, 2018*

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**Cash flows from operating activities:**

Change in net assets	\$ 412,420
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	130,832
Gain on disposal of property and equipment	(2,083)
Changes in operating assets and liabilities:	
Accounts receivable	94,150
Prepaid expenses and other	4,016
Beneficial interest in assets held by others	(1,042)
Accounts payable	(33,087)
Accrued expenses	(148,730)
Net cash provided by operating activities	<u>456,476</u>

**Cash flows from investing activities:**

Net proceeds from disposal of property and equipment	2,083
Purchases of property and equipment	(28,697)
Net cash used in investing activities	<u>(26,614)</u>

**Cash flows from financing activities:**

Payments on notes payable	(40,467)
Net cash used in financing activities	<u>(40,467)</u>

Net increase in cash and cash equivalents	389,395
Cash and cash equivalents at beginning of year	184,944
Cash and cash equivalents at end of year	<u>\$ 574,339</u>

**Supplemental disclosure of cash flow information:**

Noncash investing and financing activity:	
Vehicle purchase financed by note payable	<u>\$ 35,076</u>

# EASTER SEALS TENNESSEE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

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### **Note 1—Nature of activities and significant accounting policies**

Easter Seals Tennessee, Inc. ("Easter Seals") is a not-for-profit entity 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, 2018 were \$13,325.

*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, 2018 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.

*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.

*Functional Allocation of 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.

*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 TENNESSEE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

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### **Note 1—Nature of activities and significant accounting policies (continued)**

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.

*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 value as gifts-in-kind, if a measurable basis of the value exists. There were no such donations in fiscal year 2018.

*Subsequent Events* – Easter Seals evaluated subsequent events through January 24, 2019, 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.

*New Accounting Pronouncements* – In August of 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature, as well as enhanced endowment disclosures. This standard is effective for all fiscal years beginning after December 31, 2017. Easter Seals has elected not to early adopt ASU 2016-14.

In June 2018, FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard is effective for annual periods beginning after December 15, 2018. Easter Seals is evaluating the impact of this ASU on the financial statements.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*AUGUST 31, 2018*

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**Note 2—Accounts receivable**

Accounts receivable consists of the following at August 31, 2018:

Accounts receivable	\$ 921,728
Fees receivable from state agencies	<u>399,674</u>
Total accounts receivable	<u><u>\$ 1,321,402</u></u>

**Note 3—Property and equipment**

Property and equipment consists of the following at August 31, 2018:

Leasehold improvements	\$ 32,765
Vehicles	962,429
Equipment	<u>181,427</u>
	1,176,621
Less accumulated depreciation	<u>(897,529)</u>
Net property and equipment	<u><u>\$ 279,092</u></u>

Depreciation expense totaled \$130,832 for the year ended August 31, 2018.

**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 statement of financial position totaling \$16,125 at August 31, 2018.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*AUGUST 31, 2018*

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**Note 5—Notes payable**

Notes payable is comprised of the following at August 31, 2018:

Note payable, unsecured, due in 72 monthly installments beginning June 2013, interest at 0% per annum.	\$ 8,874
Note payable, unsecured, due in 72 monthly installments beginning April 2014, interest at 0% per annum.	18,894
Note payable, unsecured, due in 72 monthly installments beginning October 2014, interest at 0% per annum.	7,960
Note payable, unsecured, due in 72 monthly installments beginning July 2015, interest at 0% per annum.	25,300
Note payable, unsecured, due in 48 monthly installments beginning March 2018, interest at 3.14% per annum.	30,945
	<u>\$ 91,973</u>

The following represents principal maturities of notes payable as of August 31, 2018:

<b><u>Year Ending August, 31,</u></b>	
2019	\$ 42,541
2020	28,513
2021	18,039
2022	<u>2,880</u>
Total principal maturities	91,973
Less current portion	<u>(42,541)</u>
Long-term obligations	<u>\$ 49,432</u>

**Note 6—Line of credit**

At August 31, 2018, 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. Easter Seals had no outstanding borrowings under this agreement at August 31, 2018.

# EASTER SEALS TENNESSEE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

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### Note 7—Concentration

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 Federal Deposit Insurance Corporation 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 year 2018, Easter Seals received approximately 79% 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.

At August 31, 2018, Easter Seals had \$399,674 due in fees receivable from government entities.

### Note 8—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. Total employer contributions for the year ended August 31, 2018 were \$1,835.

### Note 9—Lease commitments

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

**Year Ending August, 31,**

2019	\$	146,912
2020		91,236
2021		71,287
2022		32,550
	\$	<u>341,985</u>

Rent expense under all operating leases amounted to \$243,962 for the year ended August 31, 2018.

### Note 10—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.

**EASTER SEALS TENNESSEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*AUGUST 31, 2018*

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**Note 11—Restatement**

During fiscal year 2018, Easter Seals determined that overpayments had been made in previous years for its state unemployment taxes and a refund was due. Net assets at August 31, 2017 has been restated to correctly present the refund due at August 31, 2017. The restatement has the following effect on balances as of and for the year ended August 31, 2017:

	<b>As Previously Reported</b>	<b>Restatement</b>	<b>As Restated</b>
Prepaid expenses and other	\$ 67,949	\$ 429,232	\$ 497,181
Undesignated net assets at August 31, 2017	898,067	429,232	1,327,299
Undesignated net assets at August 31, 2016	357,149	315,040	672,189
Salaries and related expenses, for the year ended August 31, 2017	5,520,313	(114,192)	5,406,121
Change in net assets for the year ended August 31, 2017	541,204	114,192	655,396

## **SUPPLEMENTAL INFORMATION**



**EASTER SEALS TENNESSEE, INC.****SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE***YEAR ENDED AUGUST 31, 2018*

<b>Grantor</b>	<b>Program Name</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>State Financial Assistance:</b>				
State of Tennessee Department of Health				
Traumatic Brain Injury Program		N/A	GR-16-45153-01	\$ 20,700
Traumatic Brain Injury Program		N/A	GR-19-57749-07	46,333
Total State of Tennessee Department of Health				67,033
<b>Total State Financial Assistance</b>				<b>\$ 67,033</b>

## **EASTER SEALS TENNESSEE, INC.**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

*YEAR ENDED AUGUST 31, 2018*

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#### **Note 1—Basis of presentation**

The accompanying schedule of expenditures of state financial assistance (the "Schedule") summarizes the expenditures of Easter Seals Tennessee, Inc. under programs of the state government for the year ended August 31, 2018. 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 Unites 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.

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
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, 2018, 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 January 24, 2019.

**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 Easter Seals Tennessee, Inc.'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 Easter Seals Tennessee, Inc.'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 Easter Seals Tennessee, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nashville, Tennessee  
January 24, 2019

**EASTER SEALS TENNESSEE, INC.**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED AUGUST 31, 2018*

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There were no prior year findings reported.