



**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2019 AND 2018**

EASTER SEALS NORTH GEORGIA, INC.
INDEX TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION	1-2
STATEMENTS OF ACTIVITIES AND NET ASSETS	3-4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20-21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	22-24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25-26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	27-28
SCHEDULE OF EXPENDITURES OF STATE AWARDS	29
RECONCILIATION OF FINAL SF-425 TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Easter Seals North Georgia, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Easter Seals North Georgia, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and net assets, 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 audits 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals North Georgia, Inc. as of August 31, 2019 and 2018, 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.

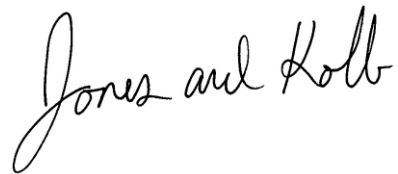
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying reconciliation of final SF-425 to schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Head Start grant and is also not a required part of the financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis and is also 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 23, 2020, on our consideration of Easter Seals North Georgia, 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 the effectiveness of Easter Seals North Georgia, Inc.'s 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 North Georgia, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Jones and Kolb". The signature is written in black ink and is positioned to the right of the main text block.

January 23, 2020

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 766,544	\$ 1,021,630
Restricted cash and cash equivalents	753,121	820,286
Investments	883,157	810,072
Accounts and government grants receivable	1,005,939	1,162,096
Promises to give	58,540	59,429
Prepaid expenses	21,217	9,760
	<hr/>	<hr/>
Total current assets	3,488,518	3,883,273
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	1,121,963	1,257,076
	<hr/>	<hr/>
OTHER ASSETS		
Restricted cash and cash equivalents	112,281	624,460
Restricted investments	920,414	918,371
Beneficial interest in perpetual trust	480,188	503,680
Deposits	28,608	28,883
	<hr/>	<hr/>
Total other assets	1,541,491	2,075,394
	<hr/>	<hr/>
Total assets	<u>\$ 6,151,972</u>	<u>\$ 7,215,743</u>

The accompanying notes to financial statements
are an integral part of these statements.

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	\$ 283,385	645,636
Accrued liabilities	486,773	598,998
Deferred income	564,393	518,861
	1,334,551	1,763,495
LONG-TERM LIABILITIES		
Deferred income	-	500,000
Deferred rent	294,166	252,106
	294,166	752,106
Total liabilities	1,628,717	2,515,601
NET ASSETS		
Without donor restrictions	2,768,939	2,796,974
With donor restrictions	1,754,316	1,903,168
	4,523,255	4,700,142
Total liabilities and net assets	\$ 6,151,972	\$ 7,215,743

The accompanying notes to financial statements
are an integral part of these statements.

EASTER SEALS NORTH GEORGIA, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 734,012	\$ -	\$ 734,012
Federated fundraising	174,808	54,486	229,294
Special events	86,765	-	86,765
Bequests and memorial gifts	149,555	-	149,555
In-kind revenues	1,389,907	-	1,389,907
Total public support	<u>2,535,047</u>	<u>54,486</u>	<u>2,589,533</u>
Revenues			
Government fees and grants	20,298,215	-	20,298,215
Contract services and fees	16,122	-	16,122
Net depreciation of beneficial interest in perpetual trust	-	(23,492)	(23,492)
Investment income	27,095	36,442	63,537
Total revenues	<u>20,341,432</u>	<u>12,950</u>	<u>20,354,382</u>
Net assets released from donor restrictions	<u>216,288</u>	<u>(216,288)</u>	<u>-</u>
Total public support and revenues	<u>23,092,767</u>	<u>(148,852)</u>	<u>22,943,915</u>
EXPENSES			
Program services			
Direct services	<u>21,260,053</u>	<u>-</u>	<u>21,260,053</u>
Supporting services			
Management and general	1,388,297	-	1,388,297
Fundraising	402,487	-	402,487
Total supporting services	<u>1,790,784</u>	<u>-</u>	<u>1,790,784</u>
Total functional expenses	<u>23,050,837</u>	<u>-</u>	<u>23,050,837</u>
Support of national programs to ESI	<u>69,965</u>	<u>-</u>	<u>69,965</u>
Total expenses	<u>23,120,802</u>	<u>-</u>	<u>23,120,802</u>
CHANGE IN NET ASSETS	<u>(28,035)</u>	<u>(148,852)</u>	<u>(176,887)</u>
NET ASSETS			
Beginning of year	<u>2,796,974</u>	<u>1,903,168</u>	<u>4,700,142</u>
NET ASSETS			
End of year	<u>\$ 2,768,939</u>	<u>\$ 1,754,316</u>	<u>\$ 4,523,255</u>

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 302,984	\$ 302,171	\$ 605,155
Federated fundraising	202,987	54,486	257,473
Special events	89,548	-	89,548
Bequests and memorial gifts	17,128	-	17,128
In-kind revenues	1,597,899	-	1,597,899
Total public support	<u>2,210,546</u>	<u>356,657</u>	<u>2,567,203</u>
Revenues			
Government fees and grants	20,751,538	-	20,751,538
Contract services and fees	23,038	-	23,038
Net appreciation of beneficial interest in perpetual trust	-	29,291	29,291
Investment income	39,070	43,090	82,160
Other	68,599	-	68,599
Total revenues	<u>20,882,245</u>	<u>72,381</u>	<u>20,954,626</u>
Net assets released from donor restrictions	<u>65,730</u>	<u>(65,730)</u>	<u>-</u>
Total public support and revenues	<u>23,158,521</u>	<u>363,308</u>	<u>23,521,829</u>
EXPENSES			
Program services			
Direct services	21,220,984	-	21,220,984
Supporting services			
Management and general	1,284,393	-	1,284,393
Fundraising	223,149	-	223,149
Total supporting services	<u>1,507,542</u>	<u>-</u>	<u>1,507,542</u>
Total functional expenses	<u>22,728,526</u>	<u>-</u>	<u>22,728,526</u>
Support of national programs to ESI	<u>70,897</u>	<u>-</u>	<u>70,897</u>
Total expenses	<u>22,799,423</u>	<u>-</u>	<u>22,799,423</u>
CHANGE IN NET ASSETS	<u>359,098</u>	<u>363,308</u>	<u>722,406</u>
NET ASSETS			
Beginning of year	<u>2,437,876</u>	<u>1,539,860</u>	<u>3,977,736</u>
NET ASSETS			
End of year	<u>\$ 2,796,974</u>	<u>\$ 1,903,168</u>	<u>\$ 4,700,142</u>

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Direct Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses	\$ 11,515,524	\$ 1,045,899	\$ 298,504	\$ 1,344,403	\$ 12,859,927
Professional fees	4,341,943	207,686	43,631	251,317	4,593,260
Occupancy	2,855,384	22,598	1,849	24,447	2,879,831
Supplies	1,172,803	2,517	796	3,313	1,176,116
Classroom supplies	208,656	-	-	-	208,656
Stipends	277,320	-	-	-	277,320
Staff training and development	270,145	5,880	-	5,880	276,025
Travel and transportation	129,074	11,517	3,221	14,738	143,812
Insurance	118,750	940	77	1,017	119,767
Miscellaneous	35,350	30,050	1,484	31,534	66,884
Printing and publications	45,679	25,467	21,338	46,805	92,484
Rental and maintenance of equipment	62,564	1,606	262	1,868	64,432
Software	36,504	-	-	-	36,504
Special events	10	12,742	27,435	40,177	40,187
Parent activities	21,134	-	-	-	21,134
Total before depreciation and amortization	21,090,840	1,366,902	398,597	1,765,499	22,856,339
Depreciation and amortization	169,213	21,395	3,890	25,285	194,498
Total	<u>\$ 21,260,053</u>	<u>\$ 1,388,297</u>	<u>\$ 402,487</u>	<u>\$ 1,790,784</u>	<u>\$ 23,050,837</u>

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Direct Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses	\$ 10,811,971	\$ 1,009,581	\$ 133,021	\$ 1,142,602	\$ 11,954,573
Professional fees	4,544,664	139,991	21,744	161,735	4,706,399
Occupancy	2,865,990	58,790	14,697	73,487	2,939,477
Supplies	1,487,065	9,499	15	9,514	1,496,579
Classroom supplies	366,858	-	-	-	366,858
Stipends	292,102	-	-	-	292,102
Staff training and development	184,152	6,728	1,633	8,361	192,513
Travel and transportation	143,130	3,379	3,351	6,730	149,860
Insurance	121,960	2,503	818	3,321	125,281
Miscellaneous	67,796	14,063	4,021	18,084	85,880
Printing and publications	52,541	20,084	5,487	25,571	78,112
Rental and maintenance of equipment	68,351	740	284	1,024	69,375
Software	45,301	164	10	174	45,475
Special events	-	-	34,640	34,640	34,640
Parent activities	19,975	16	-	16	19,991
Total before depreciation and amortization	21,071,856	1,265,538	219,721	1,485,259	22,557,115
Depreciation and amortization	149,128	18,855	3,428	22,283	171,411
Total	<u>\$ 21,220,984</u>	<u>\$ 1,284,393</u>	<u>\$ 223,149</u>	<u>\$ 1,507,542</u>	<u>\$ 22,728,526</u>

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Government fees and grants received	\$ 20,454,372	\$ 21,254,011
Public support received	746,047	975,605
Investment income received	52,390	60,075
Contract services and fees received	16,122	91,637
Payments for salaries and related expenses	(12,972,152)	(12,116,395)
Payments for professional fees	(4,192,314)	(3,788,449)
Payments for occupancy	(2,089,609)	(2,080,472)
Payments for supplies	(1,434,800)	(1,806,480)
Payments for stipends	(277,320)	(323,133)
Payments for other operating expenses	(1,013,801)	(765,589)
Net cash and cash equivalents provided by operating activities	(711,065)	1,500,810
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(59,384)	(278,403)
Proceeds from sale/maturity of investments	309,403	2,545,818
Purchases of investments	(373,384)	(2,345,844)
Net cash and cash equivalents used in investing activities	(123,365)	(78,429)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	(834,430)	1,422,381
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, Beginning of year	2,466,376	1,043,995
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, End of year	\$ 1,631,946	\$ 2,466,376

The accompanying notes to financial statements
are an integral part of these statements.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Easter Seals North Georgia, Inc. (the "Organization"), a not-for-profit organization, was established in November 1990 to help persons with disabilities and other special needs residing in the northern 44 counties of Georgia to achieve maximum independence. The Organization achieves its purposes by providing various forms of therapy to persons in the counties it serves and through childcare facilities in the Atlanta and northeast Georgia area. The Organization operates as a chartered member of Easter Seals, Inc. ("ESI").

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as a publicly supported charitable organization as described in Section 509(a) of the Internal Revenue Code, which allows donors to take the maximum charitable contribution deduction.

B. In November 2016, the Financial Accounting Standards Board issued ASU 2016-18, Statement of Cash Flows (Topic 230). This ASU requires the statement of cash flows to explain the change during the period in cash, cash equivalents and restricted cash and cash equivalents. The ASU is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management elected to early adopt this ASU for year ended August 31, 2018.

C. The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

D. The Organization classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. The Organization records contributions of cash and other assets as net assets without donor restrictions unless specifically restricted by the donor. Restricted contributions are recorded as net assets without donor restrictions if the restriction expires in the same reporting period that the contribution is recorded. All other restricted contributions are recorded as an increase in net assets with donor restrictions. When restrictions expire (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 in the Statements of Activities and Net Assets as "net assets released from donor restrictions." Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operation of the Organization.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that resources be maintained in perpetuity. The donors of these assets generally permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

E. Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contributions in the accompanying Statements of Activities and Net Assets. Conditional pledges are not included as support until the conditions are substantially met.

F. The Organization considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents are combined with cash and cash equivalents for purposes of the Statements of Cash Flows.

G. Investments and the beneficial interest in perpetual trusts are recorded at fair value. Unrealized gains and losses are included with investment income on the Statements of Activities and Net Assets. Interest, dividends and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by donors or by law.

H. Accounts receivable are recorded at the amount of cash estimated as realizable. The Organization provides an allowance for doubtful accounts based on the estimated collectability. When an account is determined uncollectible, it is written off to bad debt expense. Receivables are considered delinquent based on the contractual terms of the account. As of August 31, 2019 and 2018, management believes all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

I. Purchased property and equipment are recorded at cost, and donated assets are recorded at their estimated fair market value at the date of donation. The policy of the Organization is to capitalize, at cost, all expenditures for property and equipment in excess of \$2,500. Repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method. Estimated useful lives of the assets range from three to thirty-four years. Leasehold improvements are amortized over their estimated useful lives or their lease term, whichever is shorter.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

J. The Organization records non-cash contributions at their estimated fair market value at the date of the contribution. The Organization records contributed services as contribution revenue and as an expense if the services create or enhance a nonfinancial asset, or the services would (1) need to be purchased by the Organization if not provided by contribution, (2) require specialized skills, and (3) are provided by individuals with those skills. The Organization recorded in-kind volunteer services from teachers and other professionals. Contributed goods and services recorded for the years ended August 31, 2019 and 2018 were approximately \$624,000 and \$809,000, respectively.

The Organization records donated childcare facilities' rent as the difference in the rent at fair market value for each facility and the rent charged to the Organization by the landlord. In-kind rent recognized for the years ended August 31, 2019 and 2018 was approximately \$766,000 and \$789,000, respectively.

K. The Organization recognizes program service fees and other revenues received prior to the year the service is performed as deferred income.

L. The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, certain costs such as salaries and related benefits, office expenses, insurance, and other costs have been allocated among the programs and supporting services benefited.

M. The Organization presents a classified statement of financial position with additional qualitative information about availability of resources and liquidity in Note 17.

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

O. Subsequent events have been evaluated by management through January 23, 2020, the date these financial statements were available to be issued.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

2. PROMISES TO GIVE

Unconditional promises to give, which are all due in less than one year, as of August 31, 2019 and 2018 were \$58,540 and \$59,429, respectively. Since all promises are collectible in the following year, no discount for calculation of the net present value has been recorded.

The Organization received annual allocation grants from United Way of Greater Atlanta in July 2019 and July 2018. In accordance with provisions of the grants, one-half of the annual allocations were recorded as a pledge receivable and contribution revenue as of August 31, 2019 and 2018. The second half of the allocations is considered by United Way of Greater Atlanta as an intention to give and is contingent upon its collections. Accordingly, the second halves of the allocations are recorded upon receipt.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investment income is summarized as follows for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 52,390	\$ 60,075
Net realized and unrealized gain	<u>11,147</u>	<u>22,085</u>
Total investment income	<u>\$ 63,537</u>	<u>\$ 82,160</u>

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Organization has the ability to access. Level 2 within the hierarchy states that valuations are based on quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets or other observable inputs other than quoted market prices. Level 3 within the hierarchy states that valuations are based on significant unobservable inputs.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value of the mutual funds, U.S. treasuries, exchange traded funds and equities is based upon quoted market prices on the last business day of the year. Beneficial interest in perpetual trust includes only the Organization's proportional share of the perpetual trust (see Note 5). At August 31, 2019 and 2018, the Organization's investments included certificates of deposit of \$505,519 and \$745,720,

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

respectively. The certificates of deposit do not meet the definition of a debt security and are not traded on a market or exchange; therefore, they are not subject to fair value leveling.

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 723,930	\$ -	\$ -	\$ 723,930
U.S. treasuries	377,637	-	-	377,637
Exchange traded funds	196,485	-	-	196,485
Beneficial interest in perpetual trust	-	-	480,188	480,188
Total	\$ 1,298,052	\$ -	\$ 480,188	\$ 1,778,240

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 712,241	\$ -	\$ -	\$ 712,241
Exchange traded funds	206,135	-	-	206,135
Equities	64,347	-	-	64,347
Beneficial interest in perpetual trust	-	-	503,680	503,680
Total	\$ 982,723	\$ -	\$ 503,680	\$ 1,486,403

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investments for the years ended August 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 503,680	\$ 474,389
Net appreciation/(depreciation)	(23,492)	29,291
Balance, end of year	\$ 480,188	\$ 503,680

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

4. PROPERTY AND EQUIPMENT

As of August 31, 2019 and 2018, the cost and accumulated depreciation of property and equipment and accumulated amortization of leasehold improvements were as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 94,400	\$ 94,400
Building and improvements	900,995	900,995
Leasehold improvements	4,414,770	4,405,890
Transportation equipment	753,888	753,888
Furniture and equipment	<u>717,799</u>	<u>667,283</u>
 Total	 6,881,852	 6,822,456
 Less accumulated depreciation and amortization	 <u>5,759,889</u>	 <u>5,565,380</u>
 Property and equipment, net	 <u>\$ 1,121,963</u>	 <u>\$ 1,257,076</u>

A significant portion of property and equipment purchases were reimbursed by the federal grant programs. Any proceeds that the Organization receives upon disposition of any such property and equipment must be transferred back to the federal grant program.

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Net assets with donor restrictions include the Organization's beneficial interest in a perpetual trust. This trust was established upon the death of a donor and is held and managed by a bank. Under the terms of the trust, the Organization has the irrevocable right to receive 20% of the income earned on the trust assets in perpetuity but will never receive the assets held in the trust. The Organization has recognized its beneficial interest in the trust by recording 20% of the fair value of the total trust. Net appreciation in the fair value of the trust, which consists of the realized gains and the unrealized appreciation on the investments in the trust, is shown in the accompanying Statements of Activities and Net Assets as an increase in net assets with donor restrictions. Annual distributions of the dividends and interest from the trust are eligible to be received by the Organization and are reported as bequests revenue that increases net assets without donor restrictions.

The Organization also receives investment income from other perpetual trusts. Under the terms of the other trusts, the Organization is the sole beneficiary and receives the income earned on the trust assets in perpetuity but will never receive the assets held in the trust. These trusts are

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

held and managed by unrelated not-for-profit organizations. The Organization's management does not consider these arrangements to be irrevocable, as the not-for-profit organizations that control these trusts have been granted variance power. Therefore, the Organization has not recognized a beneficial interest in these perpetual trusts in its net assets with donor restrictions. Annual distributions from the trusts are reported as bequests revenue that increases net assets without donor restrictions. The Organization received \$17,128 from these trusts during the year ended August 31, 2018. No amount was received from these trusts during the year ended August 31, 2019.

6. COMMITMENTS

The Organization has entered into operating leases for daycare facilities, office space, and equipment expiring at various dates through the year ended August 31, 2037. Management anticipates that expired leases will be renewed or replaced in the normal course of business.

Future minimum lease payments under non-cancelable operating leases with remaining terms in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 687,944
2021	693,872
2022	507,842
2023	505,875
2024	470,661
Subsequent to 2024	<u>3,316,126</u>
Total	<u>\$ 6,182,320</u>

Operating leases, related to five of the daycare facilities, include termination clauses. Future minimum payments related to these cancelable leases total approximately \$5,047,000 through the year ending August 31, 2037. Rental expense for the years ended August 31, 2019 and 2018 was \$2,039,265 and \$2,041,044, respectively.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

7. CONCENTRATIONS

The Organization maintains cash balances with a bank and a brokerage firm. Occasionally, these balances may exceed the insurance limits provided for by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. Based on the financial strength of the institutions, management believes the risk of loss is minimal.

8. RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Restricted cash, cash equivalents and investments consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
Restricted cash and cash equivalents		
STEM in early childhood education	\$ 564,393	\$ 1,018,115
Immediate need-based tuition assistance	188,728	302,171
Endowment	112,281	124,460
Restricted investments for endowment	<u>920,414</u>	<u>918,371</u>
 Total	 <u><u>\$ 1,785,816</u></u>	 <u><u>\$ 2,363,117</u></u>

9. NET ASSETS

Net assets with donor restrictions include the following at August 31:

	<u>2019</u>	<u>2018</u>
Subject to the passage of time and/or purpose	\$ 241,432	\$ 356,657
Subject to spending policy and appropriation for expenditure	140,177	150,312
Subject to donor restrictions stipulating resources be maintained in perpetuity	<u>1,372,707</u>	<u>1,396,199</u>
 Total	 <u><u>\$ 1,754,316</u></u>	 <u><u>\$ 1,903,168</u></u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

10. ENDOWMENT

The Organization's endowment consists of one donor-restricted endowment fund. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity for a donor-specified period. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Organization's beneficial interest in perpetual trust is not included in the endowment.

The Board of Directors of the Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as net assets with donor restrictions subject to donor restrictions stipulating resources be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions subject to spending policy and appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors appropriates funds from the endowment funds based on specific needs and budgeting requirements from year to year.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and,
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies that attempt to preserve endowment assets. The overall investment objective of the endowment assets is to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

The endowment assets are expected to operate in perpetuity; therefore, a ten-year investment horizon shall be employed. Reasonable sector allocations and diversification is maintained with

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

no more than 25% of the endowment assets being invested in the securities of any one sector. Investments consist of readily available marketable securities. The investment performance of each asset allocation class is measured against inflation index objectives. Investment performance is measured no less than quarterly on a net of fee basis and will be evaluated on a three to five year basis to allow for market fluctuations and volatility.

The composition of and changes in endowment net assets for the years ended August 31, 2019 and 2018 are as follows:

	August 31, 2019		
	Investment Earnings	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 150,312	\$ 892,519	\$ 1,042,831
Investment return:			
Investment income	34,406	-	34,406
Net realized and unrealized gain	2,036	-	2,036
Distributions	(46,578)	-	(46,578)
Endowment net assets, end of year	\$ 140,176	\$ 892,519	\$ 1,032,695
	August 31, 2018		
	Investment Earnings	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 107,222	\$ 892,519	\$ 999,741
Investment return:			
Investment income	17,556	-	17,556
Net realized and unrealized gain	25,534	-	25,534
Endowment net assets, end of year	\$ 150,312	\$ 892,519	\$ 1,042,831

From time to time, the fair value of assets associated with the individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported as reductions in net assets with donor restrictions. At August 31, 2019 and 2018, no such deficiencies existed.

11. FEDERAL GRANTS

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

The Organization has been designated a Federal Head Start grantee for several counties in north and northeast Georgia. The funds received under this grant are to be expended on implementation and administration of a program providing educational assistance to needy and at-risk children. During the years ended August 31, 2019 and 2018, \$13,681,494 (60%) and \$14,067,822 (60%), respectively, of the Organization's total public support and revenue was received under these grants. At August 31, 2019 and 2018, \$317,654 (30%) and \$452,973 (35%), respectively, of the Organization's accounts and government grants receivable were related to these grants.

The Organization also operates the Babies Can't Wait program for several counties in north and northeast Georgia. The funds received under this grant are to be expended on early intervention services for infants and toddlers with developmental delays or disabilities. During the years ended August 31, 2019 and 2018, \$2,260,847 (10%) and \$2,281,054 (10%), respectively, of the Organization's total public support and revenue was received under the Babies Can't Wait grants. At August 31, 2019 and 2018, \$338,935 (32%) and \$338,935 (29%), respectively, of the Organization's accounts and government grants receivable were related to these grants.

12. RETIREMENT PLAN

The Organization instituted a 401(k) safe harbor plan as of January 1, 2005. Under the plan, all full-time employees who are at least 21 years of age are eligible to participate in the plan after one year of service. Eligible employees are 100% vested after six years of service. The Organization matches 100% of up to 3% of compensation, plus 50% of that which exceeds 3%, but not more than 5% of compensation. The Organization's contributions for the years ended August 31, 2019 and 2018 were \$153,109 and \$148,748, respectively.

The Organization also has a deferred compensation arrangement with the President & Chief Executive Officer. The agreement provides for 5% of annual compensation to be accrued monthly and paid upon retirement. At August 31, 2019 and 2018, accrued deferred compensation liability was \$44,896 and \$33,146, respectively.

13. RELATED PARTY

The Organization has signed a membership agreement with ESI that gives ESI control over how the Organization carries out certain activities. ESI also provides technical and fundraising assistance to the Organization, and in return the Organization pays a membership fee to ESI based upon a calculation approved by ESI's governing board. Membership fees to ESI for the years ended August 31, 2019 and 2018 totaled \$69,965 and \$70,897, respectively.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

14. RISKS AND UNCERTAINTIES

The Organization depends heavily on government grants and public support for its revenue. The Head Start/Early Head Start grant represents approximately 67% of government grants for the years ended August 31, 2019 and 2018. This program has been in existence for more than 60 years and management does not believe that the Organization's participation as a grantee is at risk.

15. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. Occupancy related expenses are allocated on a square footage basis and other expenses are allocated based on estimates of time and effort.

The Organization provides education and care to low-income children, disability services to qualifying children and pre-kindergarten education, among other services, to fulfill its mission. The approximate expenses attributed to each of the Organization's significant program services for the years ended August 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Education and care	\$ 15,980,000	\$ 15,880,000
Disability services	2,070,000	2,045,000
Pre-K	1,650,000	1,580,000
Child and adult care food	1,160,000	1,245,000
Foster grandparents	400,000	470,000
	<u>\$ 21,260,000</u>	<u>\$ 21,220,000</u>
Total		

16. LIQUIDITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in readily redeemable investments. At August 31, 2019 and 2018, the Organization's financial assets, which are current assets excluding restricted cash and cash equivalents and prepaid expenses, are \$2,714,180 and \$3,053,2277, respectively. None of the financial assets included in these amounts are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

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
Easter Seals North Georgia, Inc.
Atlanta, Georgia

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 North Georgia, Inc. (a not-for-profit organization), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and net assets, 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 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easter Seals North Georgia, 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 North Georgia, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Easter Seals North Georgia, 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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

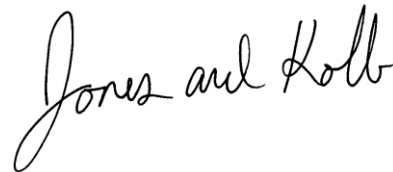
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 North Georgia, 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 Easter Seals North Georgia, 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 Easter Seals North Georgia, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones and Kolt".

January 23, 2020



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Easter Seals North Georgia, Inc.
Atlanta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Easter Seals North Georgia, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Easter Seals North Georgia, Inc.'s major federal programs for the year ended August 31, 2019. Easter Seals North Georgia, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Easter Seals North Georgia, Inc.'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* 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 Easter

Seals North Georgia, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Easter Seals North Georgia, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Easter Seals North Georgia, Inc. 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 August 31, 2019.

Report on Internal Control over Compliance

Management of Easter Seals North Georgia, Inc. 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 Easter Seals North Georgia, Inc.'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 Easter Seals North Georgia, Inc.'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

Jones and Koll

January 23, 2020

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.600	Head Start Program
93.600	EHS-CC Partnership and Expansion
84.181	Babies Can't Wait

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2019

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Agency Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services				
Direct Program:				
U.S. Department of Health and Human Services	Head Start	93.600	04CH4682-05	\$ 2,045,461
U.S. Department of Health and Human Services	Head Start	93.600	04CH010701-01	10,709,236
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP0003-04	770,105
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP000188-01	<u>156,692</u>
Total U.S. Department of Health and Human Services				<u>13,681,494</u>
Corporation for National and Community Service				
Direct Program:				
Corporation for National and Community Service	Foster Grandparent Program	94.011	18SFSGA002	323,063
Corporation for National and Community Service	Foster Grandparent Program	94.011	18SFSGA002	<u>63,527</u>
Total Corporation for National and Community Service				<u>386,590</u>
U.S. Department of Agriculture				
Pass-Through Program:				
U.S. Department of Agriculture Passed through the Georgia Department of Early Care and Learning	Child & Adult Care Food Program	10.558	01-089-04415-00-1	91,509
U.S. Department of Agriculture Passed through the Georgia Department of Early Care and Learning	Child & Adult Care Food Program	10.558		<u>1,067,297</u>
Total U.S. Department of Agriculture				<u>1,158,806</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Agency Number</u>	<u>Expenditures</u>
U.S. Department of Education				
Pass-Through Program:				
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181	40500-040-19192813	2,005,167
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181	40500-040-20192813	255,680
Total U.S. Department of Education				<u>2,260,847</u>
TOTAL FEDERAL AWARDS				<u>\$ 17,487,737</u>

NOTES TO SCHEDULE

This schedule includes the federal award activity of the Organization under programs of the federal government for the year ended August 31, 2019. 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 this schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Expenditures reported on this 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.

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

Below are additional disclosure requirements of the Head Start program. Amounts disclosed below differ from amounts presented in or used in the preparation of the basic financial statements.

	Value of non-federal share	
	Excluding non-cash assistance	Including non- cash assistance
Head Start (04CH4682-05)	\$ 614,813	\$ 614,813
Head Start (04CH010701-01)	2,698,811	2,698,811
EHS-CC Partnership and Expansion (04HP0003-04)	113,453	113,453
EHS-CC Partnership and Expansion (04HP000188-01)	21,256	21,256
Total	<u>\$ 3,448,333</u>	<u>\$ 3,448,333</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Grantor Agency</u>	<u>Program Title</u>	<u>Agency Number</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Amount Due from Agency</u>
Georgia Department of Early Care and Learning	Pre-K Program	707030	\$ 1,653,014	\$ 1,653,014	\$ -
TOTAL STATE AWARDS			<u>\$ 1,653,014</u>	<u>\$ 1,653,014</u>	<u>\$ -</u>

NOTE TO SCHEDULE

This schedule includes the state grant activity of the Organization and is presented on the accrual basis of accounting.

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
RECONCILIATION OF FINAL SF-425 TO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2018	\$ 10,800,742
Expenditures - year ended August 31, 2019	2,045,461
	2,045,461

Final SF-425 (04CH4682-05)

\$ 12,846,203

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2018	\$ 145,721
Expenditures - year ended August 31, 2019	770,105
	770,105

Final SF-425 (04HP0003-04)

\$ 915,826

NOTE TO RECONCILIATION

The information in this reconciliation is presented in accordance with the requirements of the Head Start grant. Therefore, some amounts presented in this reconciliation may differ from amounts presented in or used in the preparation of the basic financial statements.

See Independent Auditor's Report.