



**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2022 AND 2021**

EASTER SEALS NORTH GEORGIA, INC.
INDEX TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

	<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	7-8
NOTES TO FINANCIAL STATEMENTS	9-22
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>	23-24
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	25-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	28-29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30-32
SCHEDULE OF EXPENDITURES OF STATE AWARDS	33
RECONCILIATION OF FINAL SF-425 TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	34



Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Easter Seals North Georgia, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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. 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 schedule of expenditures of federal awards 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 February 14, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

Jones and Kelly

February 14, 2023

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,273,337	\$ 2,617,466
Restricted cash and cash equivalents	661,370	48,290
Investments	7,194,016	8,321,340
Accounts and government grants receivable	1,699,989	1,151,665
Pledges receivable	-	748,655
Prepaid expenses	14,938	-
	<u>10,843,650</u>	<u>12,887,416</u>
Total current assets	<u>10,843,650</u>	<u>12,887,416</u>
PROPERTY AND EQUIPMENT, NET	<u>1,509,979</u>	<u>1,600,263</u>
OTHER ASSETS		
Restricted cash and cash equivalents	34,165	31,071
Restricted investments	947,760	1,197,235
Beneficial interest in perpetual trust	472,424	593,880
Deposits	13,623	28,608
	<u>1,467,972</u>	<u>1,850,794</u>
Total other assets	<u>1,467,972</u>	<u>1,850,794</u>
Total assets	<u>\$ 13,821,601</u>	<u>\$ 16,338,473</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, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts payable	\$ 645,870	\$ 757,093
Accrued liabilities	782,875	605,973
Refundable advances	<u>23,224</u>	<u>50,409</u>
Total current liabilities	<u>1,451,969</u>	<u>1,413,475</u>
LONG-TERM LIABILITIES		
Deferred rent	<u>417,489</u>	<u>397,267</u>
Total long-term liabilities	<u>417,489</u>	<u>397,267</u>
Total liabilities	<u>1,869,458</u>	<u>1,810,742</u>
NET ASSETS		
Without donor restrictions	9,867,677	11,705,544
With donor restrictions	<u>2,084,466</u>	<u>2,822,187</u>
Total net assets	<u>11,952,143</u>	<u>14,527,731</u>
Total liabilities and net assets	<u>\$ 13,821,601</u>	<u>\$ 16,338,473</u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 453,785	\$ -	\$ 453,785
Federated fundraising	90,121	-	90,121
Special events	56,051	-	56,051
Bequests and memorial gifts	158,303	-	158,303
In-kind revenues	2,433,075	-	2,433,075
Total public support	<u>3,191,335</u>	<u>-</u>	<u>3,191,335</u>
Revenues			
Government fees and grants	26,997,054	-	26,997,054
Contract services and fees	249,040	-	249,040
Net depreciation of beneficial interest in perpetual trust	-	(121,456)	(121,456)
Investment loss, net	(1,130,782)	(161,746)	(1,292,528)
Total revenues	<u>26,115,312</u>	<u>(283,202)</u>	<u>25,832,110</u>
Net assets released from donor restrictions	<u>454,519</u>	<u>(454,519)</u>	<u>-</u>
Total public support and revenues	<u>29,761,166</u>	<u>(737,721)</u>	<u>29,023,445</u>
EXPENSES			
Program services			
Direct services	29,687,941	-	29,687,941
Supporting services			
Management and general	1,550,884	-	1,550,884
Fundraising	265,935	-	265,935
Total supporting services	<u>1,816,819</u>	<u>-</u>	<u>1,816,819</u>
Total functional expenses	31,504,760	-	31,504,760
Support of national programs to Easter Seals, Inc.	<u>94,273</u>	<u>-</u>	<u>94,273</u>
Total expenses	<u>31,599,033</u>	<u>-</u>	<u>31,599,033</u>
CHANGE IN NET ASSETS	(1,837,867)	(737,721)	(2,575,588)
NET ASSETS			
Beginning of year	<u>11,705,544</u>	<u>2,822,187</u>	<u>14,527,731</u>
NET ASSETS			
End of year	<u>\$ 9,867,677</u>	<u>\$ 2,084,466</u>	<u>\$ 11,952,143</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 7,400,828	\$ 1,000,000	\$ 8,400,828
Federated fundraising	152,000	-	152,000
Special events	43,132	-	43,132
Bequests and memorial gifts	152,399	-	152,399
In-kind revenues	1,761,897	-	1,761,897
Total public support	<u>9,510,256</u>	<u>1,000,000</u>	<u>10,510,256</u>
Revenues			
Government fees and grants	25,889,500	-	25,889,500
Contract services and fees	115,042	-	115,042
Net appreciation of beneficial interest in perpetual trust	-	91,250	91,250
Investment income, net	377,686	188,691	566,377
Total revenues	<u>26,382,228</u>	<u>279,941</u>	<u>26,662,169</u>
Net assets released from donor restrictions	<u>63,793</u>	<u>(63,793)</u>	<u>-</u>
Total public support and revenues	<u>35,956,277</u>	<u>1,216,148</u>	<u>37,172,425</u>
EXPENSES			
Program services			
Direct services	25,731,952	-	25,731,952
Supporting services			
Management and general	1,505,617	-	1,505,617
Fundraising	340,634	-	340,634
Total supporting services	<u>1,846,251</u>	<u>-</u>	<u>1,846,251</u>
Total functional expenses	27,578,203	-	27,578,203
Support of national programs to Easter Seals, Inc.	<u>94,969</u>	<u>-</u>	<u>94,969</u>
Total expenses	<u>27,673,172</u>	<u>-</u>	<u>27,673,172</u>
CHANGE IN NET ASSETS	8,283,105	1,216,148	9,499,253
NET ASSETS			
Beginning of year	<u>3,422,439</u>	<u>1,606,039</u>	<u>5,028,478</u>
NET ASSETS			
End of year	<u>\$ 11,705,544</u>	<u>\$ 2,822,187</u>	<u>\$ 14,527,731</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, 2022

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses	\$ 15,170,684	\$ 1,270,652	\$ 183,309	\$ 1,453,961	\$ 16,624,645
Professional fees	4,824,556	221,718	3,556	225,274	5,049,830
Occupancy	4,216,424	4,939	2,527	7,466	4,223,890
Supplies	1,961,209	3,533	532	4,065	1,965,274
Contract services	1,475,638	-	-	-	1,475,638
Classroom supplies	473,177	-	-	-	473,177
Software	319,756	-	-	-	319,756
Insurance	244,909	2,930	1,299	4,229	249,138
Printing and publications	193,978	11,415	31,257	42,672	236,650
Stipends	188,142	-	-	-	188,142
Staff training and development	172,689	316	101	417	173,106
Miscellaneous	63,030	15,696	1,948	17,644	80,674
Travel and transportation	69,762	127	1,777	1,904	71,666
Rental and maintenance of equipment	69,494	89	43	132	69,626
Special events	-	-	36,757	36,757	36,757
Contributed goods and services	12,047	-	20	20	12,067
 Total before depreciation and amortization	 29,455,495	 1,531,415	 263,126	 1,794,541	 31,250,036
Depreciation and amortization	232,446	19,469	2,809	22,278	254,724
 Total	 <u>\$ 29,687,941</u>	 <u>\$ 1,550,884</u>	 <u>\$ 265,935</u>	 <u>\$ 1,816,819</u>	 <u>\$ 31,504,760</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, 2021

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and related expenses	\$ 13,740,098	\$ 1,130,838	\$ 284,653	\$ 1,415,491	\$ 15,155,589
Professional fees	3,663,538	256,536	3,451	259,987	3,923,525
Occupancy	4,206,738	11,035	7,702	18,737	4,225,475
Supplies	1,168,161	1,265	154	1,419	1,169,580
Contract services	1,150,412	-	-	-	1,150,412
Classroom supplies	494,529	450	-	450	494,979
Software	136,032	-	-	-	136,032
Insurance	172,902	366	402	768	173,670
Printing and publications	135,755	22,245	25,507	47,752	183,507
Stipends	237,982	-	-	-	237,982
Staff training and development	105,797	1,286	27	1,313	107,110
Miscellaneous	116,735	57,385	449	57,834	174,569
Travel and transportation	50,021	-	1,279	1,279	51,300
Rental and maintenance of equipment	75,927	399	289	688	76,615
Special events	-	-	11,106	11,106	11,106
Contributed goods and services	17,281	2,409	228	2,637	19,918
 Total before depreciation and amortization	 25,471,908	 1,484,214	 335,247	 1,819,461	 27,291,369
Depreciation and amortization	260,044	21,403	5,387	26,790	286,834
 Total	 <u>\$ 25,731,952</u>	 <u>\$ 1,505,617</u>	 <u>\$ 340,634</u>	 <u>\$ 1,846,251</u>	 <u>\$ 27,578,203</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Government fees and grants received	\$ 26,448,730	\$ 25,114,760
Public support received	1,479,730	7,948,113
Investment income received	237,566	79,441
Contract services and fees received	249,040	115,042
Payments for salaries and related expenses	(16,468,355)	(15,080,335)
Payments for professional fees	(2,949,567)	(2,882,005)
Payments for contract services	(1,475,638)	(1,150,412)
Payments for occupancy	(3,928,499)	(3,070,161)
Payments for supplies	(2,434,189)	(1,592,387)
Payments for stipends	(188,142)	(237,982)
Payments for other operating expenses	(1,380,896)	(920,367)
Net cash and cash equivalents (used in) provided by operating activities	(410,220)	8,323,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(164,440)	(783,907)
Proceeds from sale/maturity of investments	1,215,399	1,600,264
Purchases of investments	(1,368,694)	(9,510,635)
Net cash and cash equivalents used in investing activities	(317,735)	(8,694,278)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(727,955)	(370,571)
CASH AND CASH EQUIVALENTS, Beginning of year	2,696,827	3,067,398
CASH AND CASH EQUIVALENTS, End of year	\$ 1,968,872	\$ 2,696,827

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

**RECONCILIATION OF END OF YEAR CASH AND
CASH EQUIVALENTS TO THE AMOUNTS REPORTED
IN THE STATEMENTS OF FINANCIAL POSITION**

Cash and cash equivalents	\$ 1,273,337	\$ 2,617,466
Restricted cash and cash equivalents, current portion	661,370	48,290
Restricted cash and cash equivalents, long-term	<u>34,165</u>	<u>31,071</u>
 Cash and cash equivalents, end of year	 <u>\$ 1,968,872</u>	 <u>\$ 2,696,827</u>

NONCASH FINANCING DISCLOSURE

During the year ended August 31, 2021, a Paycheck Protection Program loan of \$361,400 was forgiven.

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, 2022 AND 2021

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 areas. 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 September 2020, the Financial Accounting Standards Board, ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the Statement of Activities and Net Assets, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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. 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 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 those 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

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

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." The Organization's policy is to record contributions received with restrictions and expended in the same period as contributions without donor restrictions.

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 on the Statements of Activities and Net Assets.

Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions are substantially met. Consequently, at August 31, 2021, contributions totaling \$49,362 had not been recognized in the accompanying Statements of Activities and Net Assets because the conditions on which they depend had not yet been met. This amount is included in refundable advances on the Statements of Financial Position at August 31, 2021. The Organization did not have any conditional promises to give at August 31, 2022.

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.

Government fees and grants received by the Organization are in the form of cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances on the Statements of Financial Position.

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.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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.

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, 2022 and 2021, 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.

J. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, insurance and equipment rental, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort.

K. 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.

L. Subsequent events have been evaluated by management through February 14, 2023, 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, 2022 AND 2021

2. LIQUIDITY

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following as of August 31:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,934,707	\$ 2,665,756
Investments	8,614,200	10,112,455
Receivables and promises to give, net	<u>1,699,989</u>	<u>1,900,320</u>
Total financial assets, at year end	12,248,896	14,678,531
Less amounts unavailable for general expenditure:		
Restricted cash and cash equivalents	(661,370)	(48,290)
Net assets with donor restrictions	<u>(2,084,466)</u>	<u>(2,822,187)</u>
Financial assets available for general expenditures	<u>\$ 9,503,060</u>	<u>\$ 11,808,054</u>

3. RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Restricted cash and cash equivalents		
STEM in early childhood education	\$ 661,370	\$ 48,290
Endowment	34,165	31,071
Restricted investments for endowment	<u>947,760</u>	<u>1,197,235</u>
Total	<u>\$ 1,643,295</u>	<u>\$ 1,276,596</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

At August 31, 2022 and 2021, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investment securities and a beneficial interest in perpetual trust. Equity securities and fixed income mutual and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded. The beneficial interest in perpetual trust is valued utilizing net asset valuation of the underlying funds, which value securities and other financial instruments on a mark-to-market basis of accounting.

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2022:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 4,876,887	\$ -	\$ 4,876,887
Fixed income mutual and exchange traded funds	3,264,889	-	3,264,889
Beneficial interest in perpetual trust	-	472,424	472,424
Total	<u>\$ 8,141,776</u>	<u>\$ 472,424</u>	<u>\$ 8,614,200</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2021:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 5,638,317	\$ -	\$ 5,638,317
Fixed income mutual and exchange traded funds	3,880,258	-	3,880,258
Beneficial interest in perpetual trust	-	593,880	593,880
Total	<u>\$ 9,518,575</u>	<u>\$ 593,880</u>	<u>\$ 10,112,455</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets, which consist of a beneficial interest in perpetual trust, for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 593,880	\$ 502,630
Net (depreciation) appreciation	<u>(121,456)</u>	<u>91,250</u>
Balance, end of year	<u>\$ 472,424</u>	<u>\$ 593,880</u>

Investment income consists of the following for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 237,566	\$ 79,441
Net realized and unrealized (loss) gain	<u>(1,530,094)</u>	<u>486,936</u>
Total investment (loss) income	<u>\$ (1,292,528)</u>	<u>\$ 566,377</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

5. PROPERTY AND EQUIPMENT

As of August 31, 2022 and 2021, the cost and accumulated depreciation of property and equipment and accumulated amortization of leasehold improvements were as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 94,400	\$ 94,400
Building and improvements	992,014	992,014
Leasehold improvements	4,473,474	4,462,994
Transportation equipment	847,312	847,564
Furniture and equipment	<u>1,624,671</u>	<u>1,470,459</u>
 Total	 8,031,871	 7,867,431
 Less accumulated depreciation and amortization	 <u>6,521,892</u>	 <u>6,267,168</u>
 Property and equipment, net	 <u>\$ 1,509,979</u>	 <u>\$ 1,600,263</u>

A significant portion of property and equipment purchases were reimbursed by federal grant programs. The Organization may not dispose of, replace, or encumber title to the property and equipment without prior approval.

During the year ended August 31, 2021, the Organization received a grant from the U.S. Department of Health and Human Services ("HHS") to operate Head Start and Early Head Start programs in DeKalb County, Georgia. In accordance with the grant agreement, HHS transferred four buildings and improvements to the Organization in trust, subject to a Notice of Federal Interest, for use in the programs. Under this arrangement, ownership of the properties remains with HHS including any improvements made by the Organization with federal grant funds. During the year ended August 31, 2021, the Organization utilized approximately \$879,000 of federal grant funds for property renovations. The Organization has not recorded the value of the properties or renovations as property and equipment in the accompanying financial statements.

6. BENEFICIAL INTEREST IN PERPETUAL TRUST

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 agreement, 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

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

fair value of the total trust assets as a practical expedient to approximate fair value. Net appreciation or depreciation in the fair value of the trust, which consists of the realized gains and losses and the unrealized appreciation or depreciation of the investments held by the trust, is shown in the accompanying Statements of Activities and Net Assets as an increase or decrease 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 contribution revenue that increases net assets without donor restrictions.

The Organization also receives income distributions from a fund held by the Community Foundation of Greater Atlanta, Inc. (the "Foundation"). The restricted fund agreement grants ownership and control of this fund to the Foundation, with annual distributions from the fund paid to the Organization. Accordingly, the fund is not recorded as an asset of the Organization and is not recognized in the accompanying financial statements. Annual distributions from the fund are reported as bequest revenue that increases net assets without donor restrictions. The Organization received \$158,303 and \$152,399 from this fund during the years ended August 31, 2022 and 2021, respectively.

7. PAYCHECK PROTECTION PROGRAM LOAN

In June 2020, the Organization received loan proceeds of \$361,400 under the Paycheck Protection Program ("PPP") as part of the relief efforts related to COVID-19 and administered by the Small Business Administration ("SBA"). During the year ended August 31, 2021, the Organization applied for and received forgiveness of the entire loan amount and accrued interest from SBA. The amount of forgiveness is included in government fees and grants on the Statement of Activities and Net Assets for the year ended August 31, 2021.

8. NET ASSETS

Net assets were released from donor restrictions as follows for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Infant Early Childhood Behavioral Program	\$ 369,884	\$ -
Tuition assistance	84,635	63,793
Total	<u>\$ 454,519</u>	<u>\$ 63,793</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

Net assets with donor restrictions are restricted for the following purposes as follows at August 31:

	2022	2021
Subject to the passage of time and/or purpose		
Infant Early Childhood Behavioral Program	\$ 630,116	\$ 1,000,000
Undistributed endowment earnings, subject to appropriation		
Tuition assistance	89,406	335,788
Perpetual in nature		
Tuition assistance	892,520	892,519
Beneficial interest in perpetual trust	472,424	593,880
	1,364,944	1,486,399
Total net assets with donor restrictions	\$ 2,084,466	\$ 2,822,187

9. ENDOWMENT

The Organization's endowment consists of one donor-restricted endowment fund. 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 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 and the original value of subsequent gifts to the permanent endowment as perpetual in nature. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: The duration and preservation of the fund;

- (1) The purposes of the Organization and the donor-restricted endowment fund;
- (2) General economic conditions;
- (3) The possible effect of inflation and deflation;
- (4) The expected total return from income and the appreciation of investments;
- (5) Other resources of the Organization; and,
- (6) 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 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 year ended August 31, 2022 are as follows:

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 335,787	\$ 892,519	\$ 1,228,306
Investment return:			
Investment income	35,192	-	35,192
Net realized and unrealized loss	(196,938)	-	(196,938)
Appropriated for expenditure	<u>(84,635)</u>	<u>-</u>	<u>(84,635)</u>
Endowment net assets, end of year	<u>\$ 89,406</u>	<u>\$ 892,519</u>	<u>\$ 981,925</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

The composition of and changes in endowment net assets for the year ended August 31, 2021 are as follows:

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 171,122	\$ 892,519	\$ 1,063,641
Investment return:			
Investment income	35,862	-	35,862
Net realized and unrealized gain	152,829	-	152,829
Appropriated for expenditure	<u>(24,026)</u>	<u>-</u>	<u>(24,026)</u>
Endowment net assets, end of year	<u>\$ 335,787</u>	<u>\$ 892,519</u>	<u>\$ 1,228,306</u>

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, 2022 and 2021, no such deficiencies existed.

10. FEDERAL GRANTS

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, 2022 and 2021, \$20,601,742 (71%) and \$18,543,136 (75%), respectively, of the Organization's total public support and revenue was received under these grants. At August 31, 2022 and 2021, \$1,085,336 (64%) and \$609,980 (53%), 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, 2022 and 2021, \$2,180,576 (8%) and \$2,299,375 (10%), respectively, of the Organization's total public support and revenue was received under the Babies Can't Wait grants. At August 31, 2022 and 2021, \$369,494 (21%) and \$163,915 (14%), respectively, of the Organization's accounts and government grants receivable were related to these grants.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

11. IN-KIND REVENUES

The Organization's in-kind revenues consisted of the following as of August 31:

	<u>2022</u>	<u>2021</u>
Childcare facilities' rent	\$ 1,091,685	\$ 1,051,000
Volunteer services from teachers	1,321,311	658,081
Other professional services	<u>20,079</u>	<u>52,816</u>
Total in-kind revenues	<u>\$ 2,433,075</u>	<u>\$ 1,761,897</u>

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. The Organization recorded in-kind volunteer services from teachers based on the salary and benefits of the specific teachers providing the service. The teachers are paid directly by the public school system that provides them to the Organization. Other professional services are valued using estimated prices of identical or similar services under a "like-kind" methodology, considering the utility of the services at the time of the contribution. All in-kind revenues were used for the Organization's program activities.

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, 2022 and 2021 were \$197,605 and \$178,611, respectively.

The Organization also has a deferred compensation arrangement with the President and Chief Executive Officer. The agreement provides for 5% of annual compensation to be accrued monthly and paid upon retirement. At August 31, 2022 and 2021, the accrued deferred compensation liability was \$30,683 and \$18,627, respectively.

13. 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.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

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

Year Ending August 31,	Amount
2023	\$ 529,178
2024	499,395
2025	513,405
2026	528,232
2027	544,078
Subsequent to 2027	1,969,036
Total	\$ 4,583,324

Operating leases, related to five of the daycare facilities, include termination clauses. Future minimum payments related to these cancelable leases total approximately \$8,341,000 through the year ending August 31, 2037. Rental expense for the years ended August 31, 2022 and 2021 was \$2,367,304 and \$2,404,602, respectively.

14. FUNCTIONAL EXPENSES

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 expenses attributed to each of the Organization's significant program services for the years ended August 31, 2022 and 2021 were as follows:

	2022	2021
Education and care services	\$ 23,680,437	\$ 20,326,507
Disability services	2,431,866	2,140,831
Pre-K program	2,214,300	2,046,811
Child and adult care food program	946,341	774,928
Foster grandparents program	414,997	442,875
Total	\$ 29,687,941	\$ 25,731,952

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

15. 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, 2022 and 2021 totaled \$94,273 and \$94,969, respectively.

16. 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 85% and 87% of government grants for the years ended August 31, 2022 and 2021, respectively. 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.

17. CONTINGENCIES

The Organization is occasionally subject to various claims and assessments relating to the conduct of its operations. In order to protect itself against material adverse financial consequences, the Organization maintains insurance coverage to minimize the financial impact, if any, as a result of adverse findings related to any such matters.

At the time of issuance of these audited financial statements, the Organization does not have pending regulatory matters or litigation from which there is a reasonable possibility of material loss.



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.
Clarkston, 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, 2022, 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 February 14, 2023.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Jones and Kelly

February 14, 2023



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.
Clarkston, Georgia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Easter Seals North Georgia, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Easter Seals North Georgia, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Easter Seals North Georgia, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Easter Seals North Georgia, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Easter Seals North Georgia, Inc.'s compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Easter Seals North Georgia, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Easter Seals North Georgia, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Easter Seals North Georgia, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Easter Seals North Georgia, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

James and Kelb

February 14, 2023

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2022

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 (Including Early Head Start and Early Head Start-Child Care Partnership)
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, 2022

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, 2022

<u>Grantor Agency</u>	<u>Program Title</u>	<u>Assistance Listing 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	04CH010701-03	\$ 2,336,441
U.S. Department of Health and Human Services	Head Start	93.600	04CH010701-04	10,637,174
U.S. Department of Health and Human Services	Head Start	93.600	04CH011814-01	1,235,275
U.S. Department of Health and Human Services	Head Start	93.600	04CH011814-02	4,543,930
U.S. Department of Health and Human Services	COVID-19 Head Start	93.600	04HE000814-01C5	103,238
U.S. Department of Health and Human Services	ARP - Head Start	93.600	04HE000814-01C6	811,919
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP000188-03	780,911
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP000188-04	<u>152,854</u>
Total U.S. Department of Health and Human Services				<u>20,601,742</u>
Corporation for National and Community Service				
Direct Program:				
Corporation for National and Community Service	Foster Grandparent Program	94.011	21SFHGA003	<u>406,537</u>
Total Corporation for National and Community Service				<u>406,537</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Grantor Agency</u>	<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Agency Number</u>	<u>Expenditures</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		114,788
U.S. Department of Agriculture Passed through the Georgia Department of Early Care and Learning	Child & Adult Care Food Program	10.558		<u>794,692</u>
Total U.S. Department of Agriculture				<u>909,480</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		1,785,261
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181		<u>369,494</u>
Total U.S. Department of Education				<u>2,154,755</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 24,072,514</u></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, 2022. 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.

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

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.

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

<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	\$ 1,943,085	\$ 1,943,085	\$ -
TOTAL STATE AWARDS			<u>\$ 1,943,085</u>	<u>\$ 1,943,085</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, 2022

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2021	\$ 10,574,719
Expenditures - year ended August 31, 2022	<u>2,336,441</u>

Final SF-425 (04CH010701-03)

\$ 12,911,160

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2021	\$ 4,027,020
Expenditures - year ended August 31, 2022	<u>1,235,275</u>

Final SF-425 (04CH011814-01)

\$ 5,262,295

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.