



**EASTER SEALS NORTH
GEORGIA, INC.
ATLANTA, GEORGIA**

**REPORT ON AUDITS OF
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2016 AND 2015**

EASTER SEALS NORTH GEORGIA, INC.
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AUGUST 31, 2016 AND 2015

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**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), which comprise the statements of financial position as of August 31, 2016 and 2015, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals North Georgia, Inc. as of August 31, 2016 and 2015, 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

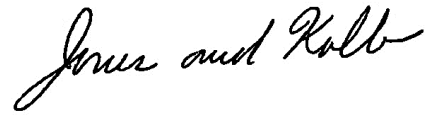
Other Information

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 November 29, 2016, 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 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 black ink that reads "Jones and Kolb". The signature is written in a cursive, flowing style.

November 29, 2016

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,402,828	\$ 840,303
Investments	87,410	208,807
Accounts and government grants receivable	1,484,928	1,089,869
Promises to give	76,430	68,908
Prepaid expenses	49,152	76,995
 Total current assets	 3,100,748	 2,284,882
 PROPERTY AND EQUIPMENT, NET	 1,161,493	 1,295,972
OTHER ASSETS		
Restricted funds - tuition assistance		
Restricted cash and cash equivalents	-	48,882
Restricted investments	992,552	892,519
 Total restricted funds - tuition assistance	 992,552	 941,401
 Beneficial interest in perpetual trust	 447,461	 438,884
Deposits	23,825	23,550
 Total other assets	 1,463,838	 1,403,835
 Total assets	 \$ 5,726,079	 \$ 4,984,689

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	\$ 462,281	\$ 298,135
Accrued liabilities	806,443	526,336
Deferred income	580,036	628,778
Total current liabilities	1,848,760	1,453,249
LONG-TERM LIABILITIES		
Deferred rent	201,645	210,786
Total long-term liabilities	201,645	210,786
Total liabilities	2,050,405	1,664,035
NET ASSETS		
Unrestricted	2,159,231	1,871,461
Temporarily restricted	176,463	117,790
Permanently restricted	1,339,980	1,331,403
Total net assets	3,675,674	3,320,654
Total liabilities and net assets	\$ 5,726,079	\$ 4,984,689

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Public support				
Contributions	\$ 244,509	\$ -	\$ -	\$ 244,509
Federated fundraising	214,247	76,430	-	290,677
Special events	81,840	-	-	81,840
Bequests and memorial gifts	162,527	-	-	162,527
In-kind revenues	1,640,408	-	-	1,640,408
Total public support	<u>2,343,531</u>	<u>76,430</u>	<u>-</u>	<u>2,419,961</u>
Revenues				
Government fees and grants	18,911,933	-	-	18,911,933
Contract services and fees	25,154	-	-	25,154
Net appreciation of beneficial interest in perpetual trust	-	-	8,577	8,577
Investment income	14,299	51,151	-	65,450
Total revenues	<u>18,951,386</u>	<u>51,151</u>	<u>8,577</u>	<u>19,011,114</u>
Net assets released from donor restrictions	<u>68,908</u>	<u>(68,908)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>21,363,825</u>	<u>58,673</u>	<u>8,577</u>	<u>21,431,075</u>
EXPENSES				
Program services				
Direct services	<u>19,627,325</u>	<u>-</u>	<u>-</u>	<u>19,627,325</u>
Supporting services				
Management and general	1,146,729	-	-	1,146,729
Fundraising	229,492	-	-	229,492
Total supporting services	<u>1,376,221</u>	<u>-</u>	<u>-</u>	<u>1,376,221</u>
Total functional expenses	21,003,546	-	-	21,003,546
Support of national programs to ESI	<u>72,509</u>	<u>-</u>	<u>-</u>	<u>72,509</u>
Total expenses	<u>21,076,055</u>	<u>-</u>	<u>-</u>	<u>21,076,055</u>
CHANGE IN NET ASSETS	287,770	58,673	8,577	355,020
NET ASSETS				
Beginning of year	<u>1,871,461</u>	<u>117,790</u>	<u>1,331,403</u>	<u>3,320,654</u>
NET ASSETS				
End of year	<u>\$ 2,159,231</u>	<u>\$ 176,463</u>	<u>\$ 1,339,980</u>	<u>\$ 3,675,674</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Public support				
Contributions	\$ 65,726	\$ -	\$ -	\$ 65,726
Federated fundraising	210,335	68,908	-	279,243
Special events	45,516	-	-	45,516
Bequests and memorial gifts	168,819	-	-	168,819
In-kind revenues	1,526,416	-	-	1,526,416
Total public support	<u>2,016,812</u>	<u>68,908</u>	<u>-</u>	<u>2,085,720</u>
Revenues				
Government fees and grants	18,353,475	-	-	18,353,475
Contract services and fees	41,788	-	-	41,788
Net depreciation of beneficial interest in perpetual trust	-	-	(58,485)	(58,485)
Investment income (loss)	(76,281)	36,554	-	(39,727)
Total revenues	<u>18,318,982</u>	<u>36,554</u>	<u>(58,485)</u>	<u>18,297,051</u>
Net assets released from donor restrictions	<u>62,946</u>	<u>(62,946)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>20,398,740</u>	<u>42,516</u>	<u>(58,485)</u>	<u>20,382,771</u>
EXPENSES				
Program services				
Direct services	<u>18,569,540</u>	<u>-</u>	<u>-</u>	<u>18,569,540</u>
Supporting services				
Management and general	1,348,856	-	-	1,348,856
Fundraising	185,136	-	-	185,136
Total supporting services	<u>1,533,992</u>	<u>-</u>	<u>-</u>	<u>1,533,992</u>
Total functional expenses	<u>20,103,532</u>	<u>-</u>	<u>-</u>	<u>20,103,532</u>
Support of national programs to ESI	<u>64,501</u>	<u>-</u>	<u>-</u>	<u>64,501</u>
Total expenses	<u>20,168,033</u>	<u>-</u>	<u>-</u>	<u>20,168,033</u>
CHANGE IN NET ASSETS	<u>230,707</u>	<u>42,516</u>	<u>(58,485)</u>	<u>214,738</u>
NET ASSETS				
Beginning of year	<u>1,640,754</u>	<u>75,274</u>	<u>1,389,888</u>	<u>3,105,916</u>
NET ASSETS				
End of year	<u>\$ 1,871,461</u>	<u>\$ 117,790</u>	<u>\$ 1,331,403</u>	<u>\$ 3,320,654</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, 2016

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Direct Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries and related expenses	\$ 10,152,497	\$ 1,030,749	\$ 156,281	\$ 1,187,030	\$ 11,339,527
Professional fees	4,389,409	23,567	6,644	30,211	4,419,620
Occupancy	2,444,245	50,798	16,584	67,382	2,511,627
Supplies	1,217,341	406	4,111	4,517	1,221,858
Stipends	342,842	-	-	-	342,842
Staff training and development	252,692	8,456	4,769	13,225	265,917
Classroom supplies	219,332	419	-	419	219,751
Travel and transportation	134,017	1,061	1,999	3,060	137,077
Insurance	118,785	2,503	818	3,321	122,106
Printing and publications	57,586	9,450	7,400	16,850	74,436
Rental and maintenance of equipment	62,634	848	325	1,173	63,807
Software	44,013	-	-	-	44,013
Miscellaneous	36,411	968	391	1,359	37,770
Special events	-	-	26,987	26,987	26,987
Parent activities	17,075	-	-	-	17,075
Total before depreciation and amortization	19,488,879	1,129,225	226,309	1,355,534	20,844,413
Depreciation and amortization	138,446	17,504	3,183	20,687	159,133
Total	<u>\$ 19,627,325</u>	<u>\$ 1,146,729</u>	<u>\$ 229,492</u>	<u>\$ 1,376,221</u>	<u>\$ 21,003,546</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, 2015

	<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	\$ 9,914,210	\$ 1,208,533	\$ 146,773	\$ 1,355,306	\$ 11,269,516
Professional fees	3,452,490	39,142	926	40,068	3,492,558
Occupancy	2,436,405	47,635	1,779	49,414	2,485,819
Supplies	1,253,847	3,497	684	4,181	1,258,028
Stipends	199,872	-	-	-	199,872
Staff training and development	307,486	2,828	1,083	3,911	311,397
Classroom supplies	263,027	-	-	-	263,027
Travel and transportation	185,722	7,031	2,648	9,679	195,401
Insurance	128,626	2,515	94	2,609	131,235
Printing and publications	58,432	7,488	5,909	13,397	71,829
Rental and maintenance of equipment	76,879	1,338	-	1,338	78,217
Software	45,090	29	-	29	45,119
Miscellaneous	77,266	9,855	156	10,011	87,277
Special events	-	-	22,812	22,812	22,812
Parent activities	16,686	253	-	253	16,939
Total before depreciation and amortization	18,416,038	1,330,144	182,864	1,513,008	19,929,046
Depreciation and amortization	153,502	18,712	2,272	20,984	174,486
Total	<u>\$ 18,569,540</u>	<u>\$ 1,348,856</u>	<u>\$ 185,136</u>	<u>\$ 1,533,992</u>	<u>\$ 20,103,532</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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 355,020	\$ 214,738
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	159,133	174,486
Realized and unrealized (gain) loss on investments	(15,834)	104,888
Net (appreciation) depreciation in beneficial interest in perpetual trust	(8,577)	58,485
Change in:		
Accounts and government grants receivable	(395,059)	(104,037)
Promises to give	(7,522)	(5,962)
Prepaid expenses	27,843	28,100
Restricted cash and cash equivalents	48,882	(48,882)
Deposits	(275)	-
Accounts payable and accrued liabilities	444,253	67,116
Deferred income	(48,742)	(264,470)
Deferred rent	(9,141)	53,974
	194,961	63,698
Total adjustments	194,961	63,698
Net cash and cash equivalents provided by operating activities	549,981	278,436
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(24,654)	(254,482)
Proceeds from sale/maturity of investments	104,361	256,478
Purchases of investments	(67,163)	(146,883)
	12,544	(144,887)
Net cash and cash equivalents provided by (used in) investing activities	12,544	(144,887)

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	562,525	133,549
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>840,303</u>	<u>706,754</u>
CASH AND CASH EQUIVALENTS		
End of year	<u><u>\$ 1,402,828</u></u>	<u><u>\$ 840,303</u></u>

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, 2016 AND 2015

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. 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 unrestricted income unless specifically restricted by the donor. Restricted contributions are recorded as unrestricted income if the restriction expires in the same reporting period that the contribution is recorded. All other restricted contributions are recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the donor restriction. When the donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that are expected to be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

C. 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.

D. The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

E. Investments and beneficial interests 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 unrestricted net assets unless their use is temporarily or permanently restricted by donors or by law.

F. 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. There was no allowance for doubtful accounts at August 31, 2016 and 2015.

G. 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 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, 2016 AND 2015

H. 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, 2016 and 2015 were approximately \$840,000 and \$819,000, 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, 2016 and 2015 was approximately \$800,000 and \$707,000, respectively.

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

J. 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.

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 November 29, 2016, the date these financial statements were available to be issued.

2. PROMISES TO GIVE

Unconditional promises to give, which are all due in less than one year, as of August 31, 2016 and 2015 were \$76,430 and \$68,908, respectively. Since all promises are collectible in the following year, no discount for calculation of the net present value has been recorded.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

The Organization received annual allocation grants from United Way of Greater Atlanta in July 2016 and July 2015. 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, 2016 and 2015. 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 (loss) is summarized as follows for the years ended August 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 49,616	\$ 65,161
Net realized and unrealized gain (loss)	<u>15,834</u>	<u>(104,888)</u>
Total investment income (loss)	<u>\$ 65,450</u>	<u>\$ (39,727)</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 and equities is based upon quoted market prices on the last business day of the year. Corporate and government bonds are valued using the latest bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities and ratings), both as furnished by independent pricing services. Unit investment trusts are valued at the fund's net asset value reflecting all of the fund's investments at fair value. The fund's net asset value is determined by dividing the fund's net assets at fair value by its units outstanding. Beneficial interest in perpetual trust includes only the Organization's proportional share of the perpetual trust (see Note 5).

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and equities	\$ 940,307	\$ -	\$ -	\$ 940,307
Beneficial interest in perpetual trust	-	-	447,461	447,461
Unit investment trusts	-	76,940	-	76,940
Corporate and government bonds	-	62,715	-	62,715
Total	<u>\$ 940,307</u>	<u>\$ 139,655</u>	<u>\$ 447,461</u>	<u>\$ 1,527,423</u>

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and equities	\$ 851,462	\$ -	\$ -	\$ 851,462
Beneficial interest in perpetual trust	-	-	438,884	438,884
Unit investment trusts	-	129,829	-	129,829
Corporate and government bonds	-	120,035	-	120,035
Total	<u>\$ 851,462</u>	<u>\$ 249,864</u>	<u>\$ 438,884</u>	<u>\$ 1,540,210</u>

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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 438,884	\$ 497,369
Net appreciation (depreciation)	<u>8,577</u>	<u>(58,485)</u>
Balance, end of year	<u>\$ 447,461</u>	<u>\$ 438,884</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

4. PROPERTY AND EQUIPMENT

As of August 31, 2016 and 2015, the cost and accumulated depreciation of property and equipment and accumulated amortization of leasehold improvements were as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 94,400	\$ 94,400
Building and improvements	900,995	900,995
Leasehold improvements	4,233,318	4,219,418
Transportation equipment	745,926	745,926
Furniture and equipment	<u>420,461</u>	<u>409,707</u>
 Total	 6,395,100	 6,370,446
 Less accumulated depreciation and amortization	 <u>5,233,607</u>	 <u>5,074,474</u>
 Property and equipment, net	 <u>\$ 1,161,493</u>	 <u>\$ 1,295,972</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 INTERESTS IN PERPETUAL TRUSTS

Permanently restricted net assets 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 (depreciation) in the fair value of the trust, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on the investments in the trust, is shown in the accompanying Statements of Activities and Net Assets as an increase (decrease) in permanently restricted net assets. 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 unrestricted net assets.

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

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

are 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 permanently restricted net assets. Annual distributions from the trusts are reported as bequests revenue that increases unrestricted net assets. The Organization received \$162,527 and \$168,819 from these trusts during the years ended August 31, 2016 and 2015, respectively.

6. LINE OF CREDIT

The Organization has an unsecured line of credit agreement that allows for borrowings up to \$100,000. The agreement has been extended during the year ended August 31, 2016 and has a maturity date of April 1, 2017. Interest accrues at the greater of Prime (3.25% at August 31, 2016) plus 1.25% or a floor rate of 5%. There was no outstanding balance at August 31, 2016 and 2015.

7. 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>
2017	\$ 587,666
2018	387,181
2019	354,527
2020	331,414
2021	328,512
Subsequent to 2021	<u>1,805,420</u>
Total	<u>\$ 3,794,720</u>

Operating leases, related to five of the daycare facilities, include termination clauses. Future minimum payments related to these cancelable leases total approximately \$6,708,000 through the year ending August 31, 2037. Rental expense for the years ended August 31, 2016 and 2015 was \$1,814,690 and \$1,699,687, respectively.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

8. 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.

9. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at August 31, 2016 and 2015 include grants from United Way of Greater Atlanta of \$76,430 and \$68,908, respectively, restricted for expenditure in the next fiscal year. Additionally, temporarily restricted net assets at August 31, 2016 and 2015 include endowment net assets of \$100,033 and \$48,882, respectively.

Permanently restricted net assets at August 31, 2016 and 2015 include grants totaling \$892,519 to fund a Tuition Assistance Fund. The earnings on the fund assets are to be used to provide need-based tuition assistance, with preference given to Hispanic/Latino students whose families currently reside in the United States.

Permanently restricted net assets also include a 20% interest in an irrevocable perpetual trust. The income from the assets can be used to support the Organization's general activities. The permanently restricted funds are subject to restrictions made by the donor requiring in perpetuity that the principal be invested and the income be used for unrestricted purposes (see Note 5).

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 permanently restricted net assets. The remaining portion of

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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 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 composition of and changes in endowment net assets for the year ended August 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 48,882	\$ 892,519	\$ 941,401
Investment return:				
Investment income	-	39,233	-	39,233
Net realized and unrealized gain	-	11,918	-	11,918
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 100,033</u>	<u>\$ 892,519</u>	<u>\$ 992,552</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

The composition of and changes in endowment net assets for the year ended August 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 12,328	\$ 892,519	\$ 904,847
Investment return:				
Investment income	-	65,161	-	65,161
Net realized and unrealized loss	-	(28,607)	-	(28,607)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 48,882</u>	<u>\$ 892,519</u>	<u>\$ 941,401</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds 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 unrestricted net assets. At August 31, 2016 and 2015, no such deficiencies existed.

The Organization has adopted investment and spending policies that attempt to preserve endowment assets by diversification of invested assets to limit the impact of large losses in individual investments in the total portfolio. The Organization monitors the rate of return earned by the portfolio.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

11. 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, 2016 and 2015, \$13,507,739 (63%) and \$13,214,087 (65%), respectively, of the Organization's total support and revenue was received under these grants. At August 31, 2016 and 2015, \$871,183 (59%) and \$421,248 (39%), 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, 2016 and 2015, \$2,293,251 (11%) and \$2,135,265 (10%), respectively, of the Organization's total support and revenue was received under the Babies Can't Wait grants. At August 31, 2016 and 2015, \$447,981 (30%) and \$469,222 (43%), 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, 2016 and 2015 were \$122,787 and \$112,245, 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, 2016 and 2015 totaled \$72,509 and \$64,501, respectively.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

14. PROGRAM SERVICES 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 approximate expenses attributed to each of the Organization's significant program services for the years ended August 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Education and care	\$ 14,600,000	\$ 13,790,000
Disability services	2,040,000	2,070,000
Pre-K	1,370,000	1,250,000
Child and adult care food	1,160,000	1,060,000
Foster grandparents	<u>460,000</u>	<u>400,000</u>
Total	<u>\$ 19,630,000</u>	<u>\$ 18,570,000</u>

15. 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 71% and 72% of government grants for the years ended August 31, 2016 and 2015, 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.



**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, 2016, 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 November 29, 2016.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

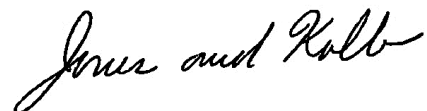
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easter Seals 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 Kolb".

November 29, 2016



**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, 2016. 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, 2016.

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 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 Kolb

November 29, 2016

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2016

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes 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 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? yes no

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

<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	04CH4682/02	\$ 1,863,438
U.S. Department of Health and Human Services	Head Start	93.600	04CH4682/03	10,578,856
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP0003/01	923,839
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP0003/02	<u>141,606</u>
Total U.S. Department of Health and Human Services				<u>13,507,739</u>
Corporation for National and Community Service				
Direct Program:				
Corporation for National and Community Service	Foster Grandparent Program	94.011	15SFSGA001	398,971
Corporation for National and Community Service	Foster Grandparent Program	94.011	15SFSGA001	<u>75,370</u>
Total Corporation for National and Community Service				<u>474,341</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	122,237
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	<u>998,019</u>
Total U.S. Department of Agriculture				<u>1,120,256</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

<u>Grantor Agency</u>	<u>Program Title</u>	<u>Number</u>	<u>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	40500-040-16130823	2,001,966
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181	40500-040-17130823	<u>291,285</u>
Total U.S. Department of Education				<u>2,293,251</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 17,395,587</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, 2016. 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 non-cash assistance:

Head Start (04CH4682/02)	\$ 617,168
Head Start (04CH4682/03)	<u>2,454,817</u>
Total	<u><u>\$ 3,071,985</u></u>

Value of non-federal share (including non-cash assistance):

Head Start (04CH4682/02)	\$ 617,168
Head Start (04CH4682/03)	<u>2,454,817</u>
Total	<u><u>\$ 3,071,985</u></u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

<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	\$ 1,366,866	\$ 1,366,866	\$ -
TOTAL STATE AWARDS			\$ 1,366,866	\$ 1,366,866	\$ -

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, 2016

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2015	\$ 10,304,465
Expenditures - year ended August 31, 2016	<u>1,863,438</u>
Final SF-425 (04CH4682/02)	<u><u>\$ 12,167,903</u></u>

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.