



**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2020 AND 2019**

EASTER SEALS NORTH GEORGIA, INC.
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AUGUST 31, 2020 AND 2019

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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) (the "Organization"), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals North Georgia, Inc. as of August 31, 2020 and 2019, 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 March 29, 2021, 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 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 Easter Seals North Georgia, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easter Seals North Georgia, Inc.'s internal control over financial reporting and compliance.

James and Kelly

March 29, 2021

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,849,936	\$ 766,544
Restricted cash and cash equivalents	143,321	753,121
Investments	131,768	883,157
Accounts and government grants receivable	738,325	1,005,939
Promises to give	-	58,540
Prepaid expenses	-	21,217
	<hr/>	<hr/>
Total current assets	3,863,350	3,488,518
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET	1,103,190	1,121,963
	<hr/>	<hr/>
OTHER ASSETS		
Restricted cash and cash equivalents	74,141	112,281
Restricted investments	989,500	920,414
Beneficial interest in perpetual trust	502,630	480,188
Deposits	28,608	28,608
	<hr/>	<hr/>
Total other assets	1,594,879	1,541,491
	<hr/>	<hr/>
Total assets	<u>\$ 6,561,419</u>	<u>\$ 6,151,972</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, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable	\$ 214,943	\$ 283,385
Accrued liabilities	534,537	486,773
Deferred income	102,000	564,393
Paycheck Protection Program loan	361,400	-
	<u>1,212,880</u>	<u>1,334,551</u>
LONG-TERM LIABILITIES		
Deferred rent	320,061	294,166
	<u>320,061</u>	<u>294,166</u>
	<u>1,532,941</u>	<u>1,628,717</u>
NET ASSETS		
Without donor restrictions	3,422,439	2,768,939
With donor restrictions	1,606,039	1,754,316
	<u>5,028,478</u>	<u>4,523,255</u>
	<u>\$ 6,561,419</u>	<u>\$ 6,151,972</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 810,523	\$ -	\$ 810,523
Federated fundraising	249,504	-	249,504
Special events	69,544	-	69,544
Bequests and memorial gifts	306,128	-	306,128
In-kind revenues	1,950,449	-	1,950,449
Total public support	<u>3,386,148</u>	<u>-</u>	<u>3,386,148</u>
Revenues			
Government fees and grants	21,295,496	-	21,295,496
Contract services and fees	38,585	-	38,585
Net appreciation of beneficial interest in perpetual trust	-	22,442	22,442
Investment income, net	22,200	82,592	104,792
Total revenues	<u>21,356,281</u>	<u>105,034</u>	<u>21,461,315</u>
Net assets released from donor restrictions	<u>253,311</u>	<u>(253,311)</u>	<u>-</u>
Total public support and revenues	<u>24,995,740</u>	<u>(148,277)</u>	<u>24,847,463</u>
EXPENSES			
Program services			
Direct services	22,598,908	-	22,598,908
Supporting services			
Management and general	1,415,033	-	1,415,033
Fundraising	245,794	-	245,794
Total supporting services	<u>1,660,827</u>	<u>-</u>	<u>1,660,827</u>
Total functional expenses	24,259,735	-	24,259,735
Support of national programs to Easter Seals, Inc.	82,505	-	82,505
Total expenses	<u>24,342,240</u>	<u>-</u>	<u>24,342,240</u>
CHANGE IN NET ASSETS	653,500	(148,277)	505,223
NET ASSETS			
Beginning of year	<u>2,768,939</u>	<u>1,754,316</u>	<u>4,523,255</u>
NET ASSETS			
End of year	<u>\$ 3,422,439</u>	<u>\$ 1,606,039</u>	<u>\$ 5,028,478</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, 2019

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

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<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	\$ 12,412,401	\$ 1,090,114	\$ 182,595	\$ 1,272,709	\$ 13,685,110
Professional fees	3,636,767	255,607	3,104	258,711	3,895,478
Occupancy	3,351,471	6,545	7,378	13,923	3,365,394
Supplies	1,118,596	1,250	654	1,904	1,120,500
Contract services	625,936	-	-	-	625,936
Classroom supplies	323,320	3,000	-	3,000	326,320
Stipends	304,229	-	-	-	304,229
Staff training and development	171,790	13,159	11	13,170	184,960
Insurance	137,002	290	319	609	137,611
Travel and transportation	94,554	2,698	3,214	5,912	100,466
Printing and publications	67,277	6,877	19,572	26,449	93,726
Rental and maintenance of equipment	78,880	582	393	975	79,855
Miscellaneous	45,557	17,351	477	17,828	63,385
Software	26,115	-	-	-	26,115
Special events	-	-	25,136	25,136	25,136
Parent activities	5,072	-	-	-	5,072
Total before depreciation and amortization	22,398,967	1,397,473	242,853	1,640,326	24,039,293
Depreciation and amortization	199,941	17,560	2,941	20,501	220,442
Total	<u>\$ 22,598,908</u>	<u>\$ 1,415,033</u>	<u>\$ 245,794</u>	<u>\$ 1,660,827</u>	<u>\$ 24,259,735</u>

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

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

	<u>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	\$ 11,515,524	\$ 1,045,899	\$ 298,504	\$ 1,344,403	\$ 12,859,927
Professional fees	3,722,178	207,686	43,631	251,317	3,973,495
Occupancy	2,855,384	22,598	1,849	24,447	2,879,831
Supplies	1,172,803	2,517	796	3,313	1,176,116
Contract services	619,765	-	-	-	619,765
Classroom supplies	208,656	-	-	-	208,656
Stipends	277,320	-	-	-	277,320
Staff training and development	270,145	5,880	-	5,880	276,025
Insurance	118,750	940	77	1,017	119,767
Travel and transportation	129,074	11,517	3,221	14,738	143,812
Printing and publications	45,679	25,467	21,338	46,805	92,484
Rental and maintenance of equipment	62,564	1,606	262	1,868	64,432
Miscellaneous	35,350	30,050	1,484	31,534	66,884
Software	36,504	-	-	-	36,504
Special events	10	12,742	27,435	40,177	40,187
Parent activities	21,134	-	-	-	21,134
Total before depreciation and amortization	21,090,840	1,366,902	398,597	1,765,499	22,856,339
Depreciation and amortization	169,213	21,395	3,890	25,285	194,498
Total	<u>\$ 21,260,053</u>	<u>\$ 1,388,297</u>	<u>\$ 402,487</u>	<u>\$ 1,790,784</u>	<u>\$ 23,050,837</u>

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

EASTER SEALS NORTH GEORGIA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Government fees and grants received	\$ 21,563,110	\$ 20,454,372
Public support received	1,031,846	746,047
Investment income received	56,964	52,390
Contract services and fees received	38,585	16,122
Payments for salaries and related expenses	(13,626,269)	(12,972,152)
Payments for professional fees	(3,315,294)	(3,572,549)
Payments for contract services	(625,936)	(619,765)
Payments for occupancy	(2,018,921)	(2,089,609)
Payments for supplies	(1,463,163)	(1,434,800)
Payments for stipends	(304,229)	(277,320)
Payments for other operating expenses	(791,104)	(1,013,801)
	545,589	(711,065)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(201,669)	(59,384)
Proceeds from sale/maturity of investments	845,000	309,403
Purchases of investments	(114,868)	(373,384)
	528,463	(123,365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	361,400	-
	361,400	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,435,452	(834,430)
CASH AND CASH EQUIVALENTS, Beginning of year	1,631,946	2,466,376
CASH AND CASH EQUIVALENTS, End of year	\$ 3,067,398	\$ 1,631,946

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF END OF YEAR CASH AND CASH EQUIVALENTS TO THE AMOUNTS REPORTED IN THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 2,849,936	\$ 766,544
Restricted cash and cash equivalents, current portion	143,321	753,121
Restricted cash and cash equivalents, long-term	<u>74,141</u>	<u>112,281</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 3,067,398</u></u>	 <u><u>\$ 1,631,946</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, 2020 AND 2019

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. 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.

C. 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 resources be maintained in perpetuity. The donors of these assets generally permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

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.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

D. 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, 2020 and 2019, contributions totaling \$101,557 and \$564,393, respectively, have not been recognized in the accompanying Statement of Activities and Net Assets because the conditions on which they depend have not yet been met. These amounts are included in deferred income on the Statements of Financial Position.

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, 2020 and 2019 were approximately \$626,000 and \$624,000, respectively. These amounts are included in in-kind revenues on the Statements of Activities and Net Assets.

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, 2020 and 2019 was approximately \$1,324,000 and \$766,000, respectively. These amounts are included in in-kind revenues on the Statements of Activities and Net Assets.

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.

E. 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, 2020 AND 2019

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.

F. 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.

G. 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, 2020 and 2019, management believes all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

H. 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.

I. 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.

J. The Organization presents classified Statements of Financial Position with additional qualitative information about availability of resources and liquidity in Note 2.

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 March 29, 2021, 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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Financial assets:		
Total cash and cash equivalents	\$ 3,067,398	\$ 1,631,946
Total investments	1,623,898	2,283,759
Total receivables and promises to give, net	<u>738,325</u>	<u>1,064,479</u>
Total financial assets, at year end	5,429,621	4,980,184
Less amounts unavailable for general expenditure:		
Restricted cash and cash equivalents	(103,553)	(570,228)
Net assets with donor restrictions	<u>(1,606,039)</u>	<u>(1,754,316)</u>
Financial assets available for general expenditures	<u>\$ 3,720,029</u>	<u>\$ 2,655,640</u>

3. RESTRICTED CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Restricted cash and cash equivalents		
STEM in early childhood education	\$ 103,553	\$ 570,228
Immediate need-based tuition assistance	39,768	182,893
Endowment	74,141	112,281
Restricted investments for endowment	<u>989,500</u>	<u>920,414</u>
Total	<u>\$ 1,206,962</u>	<u>\$ 1,785,816</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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, 2020 and 2019, the only assets or liabilities that are measured at fair value on a recurring basis in period subsequent to initial recognition are investment securities and beneficial interest in perpetual trust. Mutual and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded. U.S. Treasury bonds are valued based on quoted market prices for similar assets. 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. At August 31, 2020 and 2019, the Organization's investments included certificates of deposit of \$126,076 and \$505,519, respectively, which are not subject to fair value leveling.

The following table presents by level, within the fair value hierarchy, the Organization's assets at fair value, as of August 31, 2020:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 778,682	\$ -	\$ 778,682
Exchange traded funds	216,510	-	216,510
Beneficial interest in perpetual trust	-	502,630	502,630
Total	<u>\$ 995,192</u>	<u>\$ 502,630</u>	<u>\$ 1,497,822</u>

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

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

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 480,188	\$ 503,680
Net appreciation (depreciation)	<u>22,442</u>	<u>(23,492)</u>
Balance, end of year	<u>\$ 502,630</u>	<u>\$ 480,188</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 56,964	\$ 52,390
Net realized and unrealized gain	<u>47,828</u>	<u>11,147</u>
Total investment income	<u>\$ 104,792</u>	<u>\$ 63,537</u>

5. PROPERTY AND EQUIPMENT

As of August 31, 2020 and 2019, the cost and accumulated depreciation of property and equipment and accumulated amortization of leasehold improvements were as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 94,400	\$ 94,400
Building and improvements	947,601	900,995
Leasehold improvements	4,434,982	4,414,770
Transportation equipment	753,888	753,888
Furniture and equipment	<u>852,653</u>	<u>717,799</u>
Total	7,083,524	6,881,852
Less accumulated depreciation and amortization	<u>5,980,334</u>	<u>5,759,889</u>
Property and equipment, net	<u>\$ 1,103,190</u>	<u>\$ 1,121,963</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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.

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, 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 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 bequest revenue that increases or decreases 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 \$306,128 and \$149,555 from this fund during the years ended August 31, 2020 and 2019, 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. The Organization is eligible for loan forgiveness up to 100% of the loan and accrued interest, upon meeting certain requirements. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1.00%, with deferral of payments for the first ten months. In accordance with generally accepted accounting principles, the Organization has chosen to recognize the proceeds as a financial liability until such time as the loan is legally forgiven. The Organization applied for loan forgiveness on March 15, 2021. The response to the application was pending at the date these financial statements were issued.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

8. NET ASSETS

Net assets were released from donor restrictions for the years ended August 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Tuition assistance	\$ 198,825	\$ 161,802
Promises to give	<u>54,486</u>	<u>54,486</u>
Total	<u>\$ 253,311</u>	<u>\$ 216,288</u>

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time and/or purpose		
Tuition assistance	\$ 39,768	\$ 186,947
Promises to give	<u>-</u>	<u>54,486</u>
	<u>39,768</u>	<u>241,433</u>
Undistributed endowment earnings, subject to appropriation		
Tuition assistance	<u>171,122</u>	<u>140,176</u>
Perpetual in nature		
Tuition assistance	892,519	892,519
Beneficial interest in perpetual trust	<u>502,630</u>	<u>480,188</u>
	<u>1,395,149</u>	<u>1,372,707</u>
Total net assets with donor restrictions	<u>\$ 1,606,039</u>	<u>\$ 1,754,316</u>

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

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
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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 stand 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.

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

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

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

The endowment assets are expected to operate in perpetuity; therefore, a ten-year investment horizon shall be employed. Reasonable sector allocations and diversification is maintained with 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, 2020 are as follows:

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 140,176	\$ 892,519	\$ 1,032,695
Investment return:			
Investment income	33,510	-	33,510
Net realized and unrealized gain	49,082	-	49,082
Appropriated for expenditure	<u>(51,646)</u>	<u>-</u>	<u>(51,646)</u>
Endowment net assets, end of year	<u>\$ 171,122</u>	<u>\$ 892,519</u>	<u>\$ 1,063,641</u>

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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

	<u>Available for Expenditure</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 150,312	\$ 892,519	\$ 1,042,831
Investment return:			
Investment income	34,406	-	34,406
Net realized and unrealized gain	2,036	-	2,036
Appropriated for expenditure	<u>(46,578)</u>	<u>-</u>	<u>(46,578)</u>
Endowment net assets, end of year	<u>\$ 140,176</u>	<u>\$ 892,519</u>	<u>\$ 1,032,695</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, 2020 and 2019, 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, 2020 and 2019, \$14,257,233 (58%) and \$13,681,494 (60%), respectively, of the Organization's total public support and revenue was received under these grants. At August 31, 2020 and 2019, \$418,163 (57%) and \$317,654 (30%), 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, 2020 and 2019, \$2,645,978 (11%) and \$2,260,847 (10%), respectively, of the Organization's total public support and revenue was received under the Babies Can't Wait grants. At August 31, 2020 and 2019, \$151,645 (21%) and \$338,935 (32%), 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, 2020 AND 2019

11. 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, 2020 and 2019 were \$182,968 and \$153,109, 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. During 2020, the President and Chief Executive Officer took an approximate \$52,000 distribution from the plan. At August 31, 2020 and 2019, accrued deferred compensation liability was \$5,702 and \$44,896, respectively.

12. 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>
2021	\$ 696,207
2022	512,198
2023	508,765
2024	471,199
2025	485,319
Subsequent to 2025	<u>2,831,347</u>
Total	<u>\$ 5,505,035</u>

Operating leases, related to five of the daycare facilities, include termination clauses. Future minimum payments related to these cancelable leases total approximately \$4,555,000 through the year ending August 31, 2037. Rental expense for the years ended August 31, 2020 and 2019 was \$2,549,081 and \$2,039,265, respectively.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

13. 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 approximate expenses attributed to each of the Organization's significant program services for the years ended August 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Education and care services	\$ 17,244,000	\$ 15,980,000
Disability services	2,343,000	2,070,000
Pre-K program	1,670,000	1,650,000
Child and adult care food program	861,000	1,160,000
Foster grandparents program	<u>481,000</u>	<u>400,000</u>
Total	<u>\$ 22,599,000</u>	<u>\$ 21,260,000</u>

14. 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, 2020 and 2019 totaled \$82,505 and \$69,965, respectively.

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 72% of government grants for the years ended August 31, 2020 and 2019. 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.

16. CORONAVIRUS PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic, with the outbreak widespread in the U.S. Therefore, the Organization had to close the childcare facilities in March of 2020 which caused disruptions in their ability to provide program services. The childcare centers began to reopen in the fall of 2020 with limited capacity. Future potential impacts to the Organization may include continued disruptions or restrictions on the Organization's employees' ability to work. No adjustments have been made to these financial statements as a result of this uncertainty.

EASTER SEALS NORTH GEORGIA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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.

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2020, the Organization received an additional \$8,188,416 cost-reimbursable grant to provide Head Start and Early Head Start services in DeKalb County, Georgia. The project period for this grant is September 1, 2020 through August 31, 2025.



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, 2020, 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 March 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easter Seals North Georgia, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easter Seals North Georgia, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Easter Seals North Georgia, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easter Seals North Georgia, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jones and Kelb

March 29, 2021



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, 2020. 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, 2020.

Report on Internal Control Over Compliance

Management of Easter Seals North Georgia, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Easter Seals North Georgia, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Easter Seals North Georgia, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James and Kelb

March 29, 2021

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AUGUST 31, 2020

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)
10.558	Child & Adult Care Food Program

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, 2020

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, 2020

<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	04CH010701-01	\$ 2,360,909
U.S. Department of Health and Human Services	Head Start	93.600	04CH010701-02	10,258,702
U.S. Department of Health and Human Services	COVID-19 Head Start	93.600	04CH010701-02	734,537
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP000188-01	776,354
U.S. Department of Health and Human Services	EHS-CC Partnership and Expansion	93.600	04HP000188-02	123,020
U.S. Department of Health and Human Services	COVID-19 EHS-CC Partnership & Expansion	93.600	04HP000188-02	<u>3,711</u>
Total U.S. Department of Health and Human Services				<u>14,257,233</u>
Corporation for National and Community Service				
Direct Program:				
Corporation for National and Community Service	Foster Grandparent Program	94.011	18SFSGA002	323,063
Corporation for National and Community Service	Foster Grandparent Program	94.011	18SFSGA002	<u>63,527</u>
Total Corporation for National and Community Service				<u>386,590</u>
U.S. Department of Agriculture				
Pass-Through Program:				
U.S. Department of Agriculture Passed through the Georgia Department of Early Care and Learning	Child & Adult Care Food Program	10.558		139,514
U.S. Department of Agriculture Passed through the Georgia Department of Early Care and Learning	Child & Adult Care Food Program	10.558		<u>692,129</u>
Total U.S. Department of Agriculture				<u>831,643</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Agency Number</u>	<u>Expenditures</u>
U.S. Department of Education				
Pass-Through Program:				
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181	40500-040-20192813	2,192,438
U.S. Department of Education Passed through the Georgia Department of Community Health	Babies Can't Wait	84.181	40500-040-21192813	<u>453,540</u>
Total U.S. Department of Education				<u>2,645,978</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 18,121,444</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, 2020. 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.

	<u>Value of Non-Federal Share</u>	
	<u>Excluding Non-Cash Assistance</u>	<u>Including Non- Cash Assistance</u>
Head Start (04CH010701-01)	\$ 706,452	\$ 706,452
Head Start (04CH010701-02)	2,855,844	2,855,844
EHS-CC Partnership and Expansion (04HP000188-01)	177,291	177,291
EHS-CC Partnership and Expansion (04HP000188-02)	19,286	19,286
Total	<u>\$ 3,758,873</u>	<u>\$ 3,758,873</u>

See Independent Auditor's Report.

EASTER SEALS NORTH GEORGIA, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

<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	\$ 1,770,268	\$ 1,770,268	\$ -
TOTAL STATE AWARDS			<u>\$ 1,770,268</u>	<u>\$ 1,770,268</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, 2020

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2019	\$ 10,709,236
Expenditures - year ended August 31, 2020	2,360,909
	2,360,909

Final SF-425 (04CH010701-01)

	\$ 13,070,145
	13,070,145

Schedule of Expenditures of Federal Awards

Expenditures - year ended August 31, 2019	\$ 156,692
Expenditures - year ended August 31, 2020	776,354
	776,354

Final SF-425 (04HP000188-01)

	\$ 933,046
	933,046

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.