

EASTERSEALS CHARTER SCHOOL

**A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.**

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2020 AND 2019

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.**

SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Easterseals Charter School
A Division of Easterseals Northeast Central Florida, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Easterseals Charter School, a division of Easterseals Northeast Central Florida, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easterseals Charter School, a division of Easterseals Northeast Central Florida, Inc. as of June 30, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020, on our consideration of Easterseals Charter School, a division of Easterseals Northeast Central Florida, 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 Easterseals Charter School, a division of Easterseals Northeast Central Florida, 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 Easterseals Charter School, a division of Easterseals Northeast Central Florida, Inc.'s internal control over financial reporting and compliance.

Olivari & Associates

Olivari & Associates
Certified Public Accountants And Consultants

Ormond Beach, Florida
October 5, 2020

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.**

SPECIAL PURPOSE FINANCIAL STATEMENTS

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
<u>Assets</u>		
Current assets		
Cash & cash equivalents	\$ 196,363	\$ 63,964
Other receivables	15,062	8,597
Intercompany advances	22,087	376,745
Prepaid expenses	4,166	192
Total current assets	237,678	449,498
Property and equipment, net	22,348	13,245
Total Assets	\$ 260,026	\$ 462,743
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 7,800	\$ 1,679
Accrued expenses	123,365	249,548
Deferred revenue	82,966	72,239
Total current liabilities	214,131	323,466
Total Liabilities	214,131	323,466
Net Assets		
Without donor restrictions	45,895	139,277
Total net assets	45,895	139,277
Total Liabilities and Net Assets	\$ 260,026	\$ 462,743

The accompanying independent auditors' report and notes
should be read with these financial statements.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.**

SPECIAL PURPOSE FINANCIAL STATEMENTS

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<u>Revenues</u>		
State government	\$ 1,074,936	\$ 1,025,660
School meal reimbursement	38,470	40,871
In Kind Donations	-	250
Total revenues	1,113,406	1,066,781
Total revenues without donor restriction	1,113,406	1,066,781
<u>Expenses</u>		
Classroom instruction	673,225	630,245
Occupancy	265	-
Staff development	296	679
General administration	59,318	66,562
School administration	220,225	285,065
Fiscal services	34,976	38,586
Food services	58,092	63,477
Transportation services	44,582	44,538
Conferences	30	182
Specific Assistance	374	-
Operation of plant	75,900	58,896
Maintenance of plant	25,856	10,949
Depreciation expense	13,624	10,588
Other	25	-
In Kind expense	-	250
Total expenses without donor restriction	1,206,788	1,210,017
Increase (decrease) in net assets without donor restrictions	(93,382)	(143,236)
Net assets without donor restrictions, beginning of period	139,277	282,513
Net assets without donor restrictions, end of period	\$ 45,895	\$ 139,277

The accompanying independent auditors' report and notes
should be read with these financial statements.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.**

SPECIAL PURPOSE FINANCIAL STATEMENTS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (93,382)	\$ (143,236)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	13,624	10,588
<i>(Increase) decrease in certain assets:</i>		
Other receivables	(6,465)	(6,500)
Prepaid expenses	(3,974)	(192)
<i>Increase (decrease) in certain liabilities:</i>		
Accounts payable	6,121	1,679
Accrued expenses	(126,183)	129,109
Deferred revenue	10,727	13,757
Total adjustments	<u>(106,150)</u>	<u>148,441</u>
Net cash provided (used) by operating activities	<u>(199,532)</u>	<u>5,205</u>
 Cash flows from investing activities		
Intercompany advances	354,658	(113,936)
Purchases of leasehold improvements and equipment	<u>(22,727)</u>	<u>-</u>
Net cash used by investing activities	<u>331,931</u>	<u>(113,936)</u>
 Net increase (decrease) in cash and cash equivalents	 132,399	 (108,731)
 Cash and cash equivalents, beginning of period	 <u>63,964</u>	 <u>172,695</u>
 Cash and cash equivalents, end of period	 <u>\$ 196,363</u>	 <u>\$ 63,964</u>

The accompanying independent auditors' report and notes should be read with these financial statements.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – Summary of Significant Accounting Policies:

Organization and Purpose

Easterseals Charter School (the School) is a division of Easterseals Northeast Central Florida, Inc., formerly known as Easter Seal Society of Volusia and Flagler Counties, Inc., (the Organization). The Organization is a not-for-profit corporation that provides services to children and adults with disabilities or other special needs and their families. The Organization offers a broad range of services including the following: physical, occupational, speech and language therapies; autism early diagnosis and functional assessments; pre-school; camping and recreation; and family community education. These programs are operated at various locations in Volusia, Flagler, Putnam, Lake, and Sumter Counties in the State of Florida. The governing body of the School is the Board of Directors of the Organization which is comprised of voluntary members. The Principal of the School oversees its daily functions and reports directly to the President of the Organization who in turn reports directly to the Board of Directors. The purpose of the School is to improve learning and academic achievement by providing classroom instruction and interventions to achieve optimum learning for children with special needs to master developmental objectives with their non-disabled peers. For the school years ended June 30, 2020 and 2019, the Organization operated two School sites. At the Daytona Beach site, the School serves up to seventy-seven (77) students. The Deland School site opened in August 2017 for the 2017-2018 school year. At the Deland site, the School serves up to thirty-two (32) students. However, by mutual agreement between the School and the School Board of Volusia County, Florida the number of students served may be increased.

The general operating authority of the School is contained in Section 1002.33 of the Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Volusia County, Florida (the District) and began operations in September 2005. The current charter was renewed effective July 1, 2018 through June 29, 2023, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to the Florida Statutes, in the event the School is dissolved or terminated, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is a Florida public school and is subject to supervisory jurisdiction of the District and accountable to the District for performance, as provided by the charter agreement and Florida Statutes.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – Summary of Significant Accounting Policies: (Continued)

Significant Accounting Policies

The following is a summary of the more significant accounting policies and practices of the School, which affect significant elements of the accompanying financial statements.

- (a) **Basis of accounting**—The School uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. The special purpose financial statements present the statements of financial position, activities and cash flows for the School. The accounts of the School are maintained in accordance with the principles of fund accounting.
- (b) **Basis of presentation**—The School utilizes the standard state codification of accounts as contained in the “Financial and Program Cost Accounting and Reporting for Florida Schools” as a means of codifying all transactions pertaining to its operations for the purpose of submitting year end reports to the District. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958, Not-for-Profit Entities Presentation of Financial Statements. Under those standards, the Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

In general, net assets without donor restrictions of the School may be used at the discretion of the School’s management and the Board of Directors to support the School’s purposes and operations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When the donor stipulated the investment of the gift corpus in perpetuity, the income generated from the investment of corpus is available for the School’s operations in accordance with the donor restrictions. Appreciation related to the net assets with donor restrictions, if not specifically restricted otherwise, follows the donor’s income restriction and is included in the appropriate net asset class based on existence or absence of donor-imposed restrictions.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – Summary of Significant Accounting Policies: (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on net assets that are temporary in nature (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. It is the School's policy to record donor-restricted contributions on which restrictions are met in the same reporting period as contributions without donor restrictions.

(c) **Deferred revenue**—Capital outlay monies received by the School that have not been spent on qualifying expenses are recorded as deferred revenue in the accompanying statements of financial position.

(d) **Cash and cash equivalents**—For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

(e) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(f) **Income taxes**—The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. The School had no net unrelated taxable business income during the years ended June 30, 2020 and 2019. As a result, no provisions for income taxes are included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements.

The Organization files tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by taxing authorities for years before June 30, 2017.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – Summary of Significant Accounting Policies: (Continued)

(g) **Revenue Sources**—Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the charter and the Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of the Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is monthly during the fiscal year and is adjusted to reflect revised calculations by the FDOE under the FEFP and actual FTE students reported by the School during the semi-annual designated FTE survey periods. Payments are based upon the revenue estimate for the enrollment adjusted retroactively for the actual FTE count, and adjusted for prior payments.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62 of the Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are generally limited to capital expenditures, lease, rent or construction of school facilities and related insurance expenses for the school.

Other accounts receivable reported at June 30, 2020 and 2019 consist of amounts due from the District for capital outlay funds for the period ended June 30, 2020 and 2019, respectively.

(h) **Property and equipment**—The School capitalizes all expenditures in excess of \$1,000 for property and equipment. The fair value of donated assets is simultaneously capitalized and recognized as support.

Property and equipment are carried at cost for purchased assets and at fair market value at date of donation for donated assets. Depreciation is calculated using the straight-line method over the following estimated lives:

Building and improvements	7 – 39 years
Furniture, fixtures and equipment	5 – 10 years
Leasehold improvements	Shorter of useful life or lease term

Betterments and large renewals which extend the life of an asset are capitalized, whereas repairs and maintenance costs are charged to expense as incurred.

(i) Accounting Pronouncement Adopted

- i. On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 – Summary of Significant Accounting Policies: (Continued)

- ii. In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018 and are reflective in the presentation of these financial statements.

(j) Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-02 *Leases: Topic 842*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019. The School has not yet implemented this ASU and is in the process of assessing the effect on the School's financial statements.

NOTE 2 – Prior Period Adjustment:

During the fiscal year 2019-2020, Easterseals Charter School was audited by the Department of Education for the fiscal year 2017-2018. The Department of Education found two issues that resulted in a financial payback of \$103,150. The first finding related to teachers that did not have the required certification as required by the State of Florida to teach within the classroom. The second finding was that the information that classified students placed at Easterseals Charter School was not verified and therefore, in some cases contained errors, resulting in the improper payment to Easterseals Charter School. Corrective and preventative action has been taken to minimize the risk of this reoccurring in subsequent periods.

NOTE 3 – Restatement of Financial Statements:

The effect of the restatement was to increase accrued expenses for 2019 by \$103,150. Net Assets without donor restrictions, beginning of period of 2019 were reduced by \$103,150 for the effects of restatement.

The effect of the restatement on the financial position as of and for the year ended June 30, 2019 is as follows:

	2019	
	As previously reported	Restated
Accrued expenses	146,398	249,548
Net assets	242,427	139,277

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 – Revenues:

As described in Note 1 (g), the District provides operating funds from FEFP on a monthly basis based on FTE students, and capital outlay funds on a monthly basis based on the Schools capital outlay plan submitted to the District. State government revenue in the Statement of Activities is comprised as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Florida Education Finance Program	\$ 1,042,273	\$ 997,293
Capital Outlay Program	32,663	28,367
Total State Government Revenue	\$ 1,074,936	\$ 1,025,660

FEFP revenues are net of \$19,862 and \$20,817 for District administrative fees withheld by the District for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 – Other receivables:

Other receivables at June 30, 2020 and 2019, in the amount of \$15,062 and \$8,597, respectively, consist of School capital outlay funds due from the District.

NOTE 6 – Intercompany Advances:

Short term intercompany advances represents amounts due from or due to the Organization for School expenses including wages and benefits which apply to both the School and the Organization, and which are paid by the Organization. At June 30, 2020 and 2019, amounts due from the Organization totaled \$22,087 and \$376,745, respectively.

NOTE 7 – Property and Equipment, net:

Property and Equipment consist of the following as of June 30, 2020 and 2019:

	2020	2019
Equipment	\$ 4,784	\$ 2,214
Leasehold improvements	20,157	30,289
	24,941	32,503
Less: Accumulated depreciation	(2,593)	(19,258)
Property and equipment, net	\$ 22,348	\$ 13,245

Depreciation expense was \$13,624 and \$10,588 for the years ended June 30, 2020 and 2019, respectively.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 – Property and Equipment, net: (Continued)

During the years ended June 30, 2020 and 2019, the School disposed of certain fully depreciated leasehold improvements and equipment with a cost of \$30,289 and \$1,236, respectively. No gains or losses were realized on this fully depreciated School improvements or equipment.

Donor Restrictions

In the course of carrying out the contract agreement with the District, the School used capital outlay funds to acquire various equipment needed to carry out the program. The School amortizes the expiration of donor restrictions based on the useful life of the asset. The portion of net assets with donor restrictions, which expires during the year, is reclassified to net assets without donor restrictions. The value of these donor restricted assets, net of accumulated depreciation as of June 30, 2020 and 2019 was \$ -0- and \$-0-, respectively.

In the event the School is dissolved or terminated, all remaining School property purchased with public funds automatically reverts to the District. These assets are depreciated by the School as if owned by them.

NOTE 8 – Deferred Revenues:

As described in Note 1 (g), the School is eligible to receive charter school capital outlay funding. At June 30, 2020 and 2019, deferred revenue for unspent capital outlay funds amounted to \$82,966 and \$72,239, respectively.

NOTE 9 – Commitments and Contingencies:

The Organization leased its West Volusia County School site beginning January 2017 for the 2016-2017 school year in Deland, Florida. In February 2020, the Organization leased a new site in Deland, Florida. This facility is equally shared with Easterseals Deland, Florida child development center and the School. At June 30, 2020, the School’s share of the minimum future rental commitments in excess of one year under this noncancelable operating lease is as follows:

Year Ending 30-Jun	Amount
2021	\$ 48,200
2022	49,400
2023	50,600
2024	51,800
2025	44,000
	\$ 244,000

Rent expense was \$38,069 and \$28,924 for the years ended June 30, 2020 and 2019, respectively.

EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 – Commitments and Contingencies: (Continued)

- (a) The School participates in state and federal school funding programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective programs are subject to audit and adjustment by the grantor agencies.

In the opinion of the School management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the School's funding programs and accordingly, no provision has been recorded in the accompanying financial statements for any such contingencies.

- (b) In the normal course of conducting its operations, the School could become a party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

NOTE 10 – Retirement Plan:

Eligible School employees participate in the Organizations 401(k) plan. Under this plan, the School contributes 50% of employee contributions up to a maximum of 3% of the employee's compensation. The employer matching contributions are made on a bi-weekly basis to the plan. School matching contribution expense totaled \$2,526 and \$1,375 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 – Compensated Absences:

Employees of the Organization including the School employees are entitled to paid personal time off (PTO) benefits for vacation and sick days depending on length of services. The Organization's policy is to recognize PTO when earned by employees. The current policy of the Organization effective January 1, 2019 provides that employees may rollover up to 80 hours of PTO hours not used during the calendar year. Upon termination, all unused PTO is forfeited. Prior to this, employees were eligible to carryover up to one year of PTO hours depending on length of services. All earned PTO balances at December 31, 2015 were frozen. These earned PTO balances are payable to the employees upon termination or can be used in addition to any annual PTO received under the current policy if approved. The balances payable to eligible School employees for PTO that was earned but not used at June 30, 2020 and 2019 was \$13,261 and \$10,870, respectively.

NOTE 12 – Risk Management:

Workers compensation, property and general liability insurance coverage are being provided through purchased commercial insurance with deductibles for each line of coverage.

**EASTERSEALS CHARTER SCHOOL
A DIVISION OF EASTERSEALS
NORTHEAST CENTRAL FLORIDA, INC.
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 – Concentration of Risk:

The School receives substantially all of its revenue from federal, state and local sources, passed through the District, which subjects the School to changes in government funding allocations. Continuing operation of the School is greatly dependent upon the continued funding by these entities.

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The School has not experienced any losses on such balances.

NOTE 14 – Liquidity and Availability of Resources:

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>
Cash and cash equivalents	\$ 196,363
Intercompany advances	22,087
Other receivable	15,062
	<u>\$ 233,512</u>

NOTE 15 – Subsequent Events:

The Organization's management has evaluated subsequent events through October 5, 2020, which is prior to the financial statement availability date of October 6, 2020. Management determined there are no subsequent events which require disclosure.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' 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 of
Easterseals Charter School
A Division of Easterseals Northeast Central Florida, Inc.

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 Easterseals Charter School, a division of Easterseals Northeast Central Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easterseals Charter School, a division of Easterseals Northeast Central Florida, 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 Easterseals Charter School, a division of Easterseals Northeast Central Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Easterseals Charter School, a division of Easterseals Northeast Central Florida, 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 Easterseals Charter School, a division of Easterseals Northeast Central Florida, 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*.

Independent Auditors' 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*

Purpose of this Report

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

Olivari & Associates

Olivari & Associates
Certified Public Accountants And Consultants

Ormond Beach, Florida
October 5, 2020

MANAGEMENT LETTER

To the Board of Directors of
Easterseals Charter School
A Division of Easterseals Northeast Central Florida, Inc.
Daytona Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc., Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 5, 2020.

Auditor's Responsibility

We conducted our audit 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 Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in those reports and schedule, which are dated October 5, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Easterseals Charter School, School Code 649895.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Management Letter

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Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc. It is management's responsibility to monitor the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Easterseals Charter School a division of Easterseals Northeast Central Florida, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and Easterseals Northeast Central Florida, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



Olivari & Associates

Certified Public Accountants And Consultants

Ormond Beach, Florida

October 5, 2020