

**EASTERSEALS CAPITAL REGION &
EASTERN CONNECTICUT, INC.**

June 30, 2023 and 2022

Independent Auditors' Report

- I. Financial Statements**
- II. Reports in Accordance with
*Government Auditing Standards***
- III. Reports in Accordance with the
State Single Audit Act**



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Table of Contents

June 30, 2023 and 2022

I. FINANCIAL STATEMENTS

Independent Auditors' Report.....	1 – 2
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 21

II. REPORT IN ACCORDANCE WITH *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 <i>Government Auditing Standards</i>	22 – 23
---	---------

III. REPORTS IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Act	24 – 26
Schedule of Expenditures of State Financial Assistance.....	27
Note to Schedule of Expenditures of State Financial Assistance	28
Schedule of State Findings and Questioned Costs.....	29

I. FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Easterseals Capital Region & Eastern Connecticut, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Easterseals Capital Region & Eastern Connecticut, Inc. ("Easterseals"), which comprise the statements of financial positions as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easterseals as of June 30, 2023 and 2022, and the changes in its net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Easterseals' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Easterseals' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance as required by the Single Audit Act (C.G.S. Sections 4-230 to 4-236) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance 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 December 15, 2023, on our consideration of Easterseals Capital Region & Eastern Connecticut, 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 Capital Region & Eastern Connecticut, 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 Capital Region & Eastern Connecticut, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
December 15, 2023

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 54,803	\$ 191,595
Restricted cash - unemployment trust reserve	17,827	29,378
Accounts and grants receivable, net	347,343	481,850
Prepaid expenses and other assets	113,003	47,286
Investments	2,255,173	3,311,703
Total current assets	<u>2,788,149</u>	<u>4,061,812</u>
Donor-restricted investments	937,454	937,454
Right-of-use operating lease asset	441,036	-
Fixed assets, net	<u>5,853,889</u>	<u>6,198,283</u>
Total assets	<u><u>\$ 10,020,528</u></u>	<u><u>\$ 11,197,549</u></u>
Liabilities and net assets		
Current liabilities:		
Line of credit	\$ 27,159	\$ 62,556
Mortgage payable, current portion	59,119	56,790
Accounts payable	189,319	69,591
Accrued liabilities	544,670	901,919
Operating lease liability, short term portion	79,385	-
Deferred revenue	125,300	156,000
Total current liabilities	<u>1,024,952</u>	<u>1,246,856</u>
Long term liabilities:		
Mortgage payable, long term portion	136,685	199,438
Operating lease liability, long term portion	375,059	-
Total long term liabilities	<u>511,744</u>	<u>199,438</u>
Total liabilities	<u>1,536,696</u>	<u>1,446,294</u>
Net assets:		
Without donor restrictions:		
Undesignated	4,532,627	4,753,675
Board-designated	2,255,173	3,311,703
	<u>6,787,800</u>	<u>8,065,378</u>
With donor restrictions	<u>1,696,032</u>	<u>1,685,877</u>
Total net assets	<u>8,483,832</u>	<u>9,751,255</u>
Total liabilities and net assets	<u><u>\$ 10,020,528</u></u>	<u><u>\$ 11,197,549</u></u>

The accompanying notes are an integral part of the financial statements.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Statements of Activities

For the years ended June 30, 2023 and 2022

	2023	2022
Changes in net assets without donor restrictions:		
Revenues and other support:		
Grants and contracts from government agencies	\$ 2,801,794	\$ 2,418,849
Program service fees	1,987,533	1,622,083
Contributions and special events	622,955	669,935
Rental income	198,464	207,104
Paycheck Protection Program income	-	767,416
In-kind contribution	49,038	49,038
Investment income, net of investment advisory fees	306,690	(334,065)
Net assets released from restrictions	213,168	2,893,216
Total revenues and other support	<u>6,179,642</u>	<u>8,293,576</u>
Expenses:		
Program services	5,518,269	5,370,155
General and administrative	1,482,836	1,643,717
Fundraising	456,115	393,801
Total expenses	<u>7,457,220</u>	<u>7,407,673</u>
Change in net assets without donor restrictions	<u>(1,277,578)</u>	<u>885,903</u>
Changes in net assets with donor restrictions:		
Contributions	213,207	357,487
State bond funds - Rally Point	-	1,255,547
Investment income, net of investment advisory fees	10,116	13,382
Net assets released from restrictions	<u>(213,168)</u>	<u>(2,893,216)</u>
Change in net assets with donor restrictions	<u>10,155</u>	<u>(1,266,800)</u>
Change in net assets	(1,267,423)	(380,897)
Net assets, beginning of year	<u>9,751,255</u>	<u>10,132,152</u>
Net assets, end of year	<u><u>\$ 8,483,832</u></u>	<u><u>\$ 9,751,255</u></u>

The accompanying notes are an integral part of the financial statements.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Statements of Functional Expenses

For the years ended June 30, 2023 and 2022

	2023				2022			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Employee compensation	\$ 2,839,366	\$ 862,221	\$ 184,649	\$ 3,886,236	\$ 2,767,792	\$ 1,009,061	\$ 132,383	\$ 3,909,236
Employee taxes and benefits	752,068	185,478	35,148	972,694	825,051	163,120	33,234	1,021,405
Total employee compensation and related benefits	3,591,434	1,047,699	219,797	4,858,930	3,592,843	1,172,181	165,617	4,930,641
Program wages, supplies and materials	314,684	-	-	314,684	318,481	-	-	318,481
Occupancy	444,015	70,074	1,073	515,162	404,788	53,136	1,459	459,383
Professional services	119,057	32,427	21,857	173,341	84,869	166,699	28,178	279,746
Depreciation	448,689	21,031	-	469,720	366,080	8,325	-	374,405
Supplies, repairs, and maintenance	314,253	72,028	3,832	390,113	224,887	24,872	3,738	253,497
Special events	-	-	156,712	156,712	-	-	178,818	178,818
Vehicle	101,331	6,786	276	108,393	125,117	18,200	-	143,317
Insurance	123,358	46,278	-	169,636	114,161	42,097	-	156,258
Cybersecurity	28,100	-	-	28,100	21,050	-	-	21,050
Easterseals dues	-	45,000	-	45,000	-	49,441	-	49,441
Interest	8,790	1,271	-	10,061	11,064	2,264	-	13,328
Employee travel/outreach	24,553	12,661	3,464	40,678	11,319	4,049	361	15,729
Bad debt	-	47,447	-	47,447	-	20,744	-	20,744
Other	5	80,134	49,104	129,243	95,496	81,709	15,630	192,835
Total expenses	<u>\$ 5,518,269</u>	<u>\$ 1,482,836</u>	<u>\$ 456,115</u>	<u>\$ 7,457,220</u>	<u>\$ 5,370,155</u>	<u>\$ 1,643,717</u>	<u>\$ 393,801</u>	<u>\$ 7,407,673</u>

The accompanying notes are an integral part of the financial statements.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	2023	2022
Operating activities		
Change in net assets	\$ (1,267,423)	\$ (380,897)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
State bond funds and capital grants	-	(1,255,547)
Depreciation	469,720	374,405
Unrealized losses/(gains) on investments	(148,393)	705,615
Net realized (gains) on sale of investments	(117,831)	(318,023)
Amortization of right of use operating lease asset	67,144	-
(Increase)/decrease in assets:		
Accounts and grants receivable	134,507	206,367
Prepaid expenses and other assets	(65,717)	48,525
Increase/(decrease) in liabilities:		
Accounts payable	119,728	68,482
Accrued liabilities	(357,249)	17,951
Due to DDS	-	(12,504)
Refundable advance - Paycheck Protection Program	-	(767,416)
Operating lease liability	(53,736)	-
Deferred revenue and refundable advances	(30,700)	51,817
Net change in cash from operating activities	<u>(1,249,950)</u>	<u>(1,261,225)</u>
Investing activities		
Purchases of fixed assets	(125,324)	(1,737,906)
Purchases of investments	(50,584)	(141,175)
Proceeds from sales of investments	1,373,336	520,000
Net change in cash from investing activities	<u>1,197,428</u>	<u>(1,359,081)</u>
Financing activities		
State bond funds and capital grants	-	1,255,547
Net proceeds from/(payments on) line of credit	(35,397)	(34,449)
Principal payments on mortgage payable	(60,424)	(58,149)
Net change in cash from financing activities	<u>(95,821)</u>	<u>1,162,949</u>
Net change in cash	(148,343)	(1,457,357)
Cash and restricted cash, beginning of year	<u>220,973</u>	<u>1,678,330</u>
Cash and restricted cash, end of year	<u><u>\$ 72,630</u></u>	<u><u>\$ 220,973</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 40,678</u></u>	<u><u>\$ 15,729</u></u>
Non-cash operating activities		
Adoption of ASC Topic 842		
Increase in operating lease right-of-use asset	<u><u>\$ 497,815</u></u>	<u><u>\$ -</u></u>
Increase in operating lease liability	<u><u>\$ 497,815</u></u>	<u><u>\$ -</u></u>
Reconciliation of cash and restricted cash		
Cash	\$ 54,803	\$ 191,595
Restricted cash - unemployment trust reserve	17,827	29,378
Cash and restricted cash, as presented above	<u><u>\$ 72,630</u></u>	<u><u>\$ 220,973</u></u>

The accompanying notes are an integral part of the financial statements.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Easterseals Capital Region & Eastern Connecticut, Inc., (“Easterseals”) is a Connecticut not-for-profit corporation with locations in Windsor, East Hartford, Rocky Hill, and Norwich, Connecticut. Easterseals provides medical and vocational rehabilitation services for seniors and for adults and children with physical, mental, emotional or learning disabilities. Easterseals is affiliated with Easterseals, Inc. based in Chicago, Illinois.

The following is a summary of significant accounting policies of Easterseals.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements of Easterseals comply with the *Financial Statements of Not-for-Profit Organizations* topic of the FASB Codification. Under this topic, Easterseals reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Board designated net assets represents investment funds designated by the Board of Directors to serve as an endowment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met by actions of Easterseals and/or passage of time, as well as net assets subject to donor-imposed stipulations that Easterseals maintains permanently.

Fixed Assets

Fixed assets owned by Easterseals are recorded at cost or, if donated, at fair market value. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	5 - 30 years
Equipment and vehicles	3 - 10 years

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at levels which are adequate to absorb reasonable foreseeable losses based on management’s evaluation of outstanding balances and current economic conditions. Balances that remain outstanding after Easterseals has used reasonable collection efforts are written off.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

- Level 1* Unadjusted quoted prices for identical assets or liabilities in active markets that Easterseals has the ability to access.
- Level 2* Quoted prices for similar assets or liabilities in active markets;
Quoted prices for identical or similar assets or liabilities in inactive markets;
Inputs other than quoted prices that are observable for the asset or liability;
Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3* Unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Endowment and Spending Policy

Easterseals has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Easterseals must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance.

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

The Board approves annual appropriations for distribution. When deciding the appropriation amount, the Board considers the long-term expected return on its endowment in order to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Grants and Contracts from Government Agencies

Easterseals receives various grants from federal, state, local and private agencies for program and supporting service expenses. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred. Cash received on government grants and contracts prior to incurring allowable expenses are recorded as refundable advances. In addition, DDS has provided cash advances (“DDS Bridge Funding”) to Easterseals in the amount of \$263,766 which is refundable upon request. The DDS Bridge Funding is recorded as an offset to DDS grants receivable in accordance with DDS guidelines.

Grants receivable represent expenditures of funds in accordance with grant stipulations or fulfillment of contract terms for which reimbursement has not yet been received by the grantor agency. Easterseals believes all grants receivable are considered collectible, and therefore no allowance for uncollectable accounts has been established.

Conditional Promises to Give

Conditional grants and contracts from government agencies not recognized as revenue as of June 30, 2023 and 2022 totaled \$3,227,025 and \$5,282,078, respectively. Government grants and contracts are conditioned upon incurring qualified program expenses in accordance with state and federal cost standards.

Leases

Easterseals determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Easterseals does not report ROU assets and lease liabilities for its short term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Program Service Fee Revenue: Vocational Rehabilitation Service Contracts

EnviroShred – Easterseals provides secure document destruction services for companies. This program was developed to provide employment, training and rehabilitation opportunities for individuals with disabilities. Easterseals contracts with companies and invoices customers on a month to month basis. The transaction price is based upon volume of documents shredded. The performance obligation is satisfied upon completion of the service provided, which is destruction of documents. Each customer (except walk-in customers) receive a Certificate of Destruction upon completion of the document destruction.

EnviroClean – Easterseals janitorial program provides employment opportunities for those with disability and barriers. Easterseals contracts with companies to provide janitorial services on a month to month basis. The transaction price is based upon per diem rates which are invoiced on a monthly basis. The performance obligation is satisfied upon completion of the service provided.

Employment and Training Services – Easterseals contracts with the Connecticut Bureau of Rehabilitation Services (“BRS”), Workers’ Rehabilitation Services and at times State of Connecticut Department of Developmental Services (“DDS”) to provide job training services to individuals with disabilities. The transaction price is a unit-based rate established in the contract with the agencies. The performance obligation is based upon completion of each hour of service provided.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Program Service Fee Revenue: Medical Rehabilitation Services – Third Party Reimbursements

Easterseals provides medical rehabilitation services which include neuropsychology and physical therapy.

The contractual relationships with clients may involve a third-party payor such as Medicare, Medicaid or a commercial insurance company, and the transaction prices for the services provided are dependent upon the terms negotiated with the third-party payors. Treatment program fees are reported at the amount that reflects the consideration to which Easterseals expects to be entitled in exchange for providing services.

Easterseals determines transaction prices based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with Easterseals' policy. Easterseals determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience agreements with third-party payors provide for payments at amounts less than established charges. The contracts Easterseals has with third-party payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Easterseals' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

Contributions and Special Events

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, 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 as net assets released from restrictions. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized as revenue until the conditions on which they depend are substantially met.

Easterseals also receives income in advance for various special fundraising events throughout the year. This revenue is recognized upon completion of the event. At June 30, 2023 and 2022, Easterseals had collected \$125,300 and \$156,000 of special event fees for events which had not yet taken place. These amounts are recorded as deferred revenue on the statements of financial position.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Employee compensation, taxes and benefits - program staff	Time and effort
Employee compensation, taxes and benefits - finance	Accumulated direct costs
Employee compensation, taxes and benefits - billing	Billed revenues
Program wages, supplies and materials	Time and effort
Professional services	Accumulated direct costs
Insurance	Accumulated direct costs
Depreciation	Accumulated direct costs
Vehicle	Accumulated direct costs
Occupancy	Accumulated direct costs
Other	Time and effort

Tax Status

Easterseals is a not-for-profit voluntary health and welfare agency, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Easterseals has been classified as an organization that is not a private foundation and has been designated as a “publicly supported” organization.

Easterseals has income attributable to rental income that is subject to federal and state unrelated business income taxes. For the years ended June 30, 2023 and 2022, Easterseals has experienced a loss in these activities, and therefore no taxes were due.

Use of Estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related footnotes. Actual results could differ from those estimates.

Financial Instruments and Credit Risk

Financial instruments, which potentially subject Easterseals to concentration of credit risk, consist principally of temporary cash investments and money market funds. Easterseals places its temporary cash and other investments with high-credit, quality financial institutions, which may exceed federally and privately insured amounts at times. Easterseals does not believe that it is exposed to any significant credit risk on uninsured amounts.

Recently Adopted Accounting Standard

In 2023, Easterseals adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of implementing ASU 2016-02, Easterseals recognized right-of-use assets and lease liabilities of \$497,815 on July 1, 2022 through a cumulative effect adjustment as of that date. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Subsequent Events Measurement Date

Easterseals monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the fiscal year ended June 30, 2023 through December 15, 2023, the date on which financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects Easterseals' financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, within the next twelve months of June 30,:

	2023	2022
Cash	\$ 54,803	\$ 191,595
Accounts and grants receivable, net	347,343	481,850
Investments	3,192,627	4,249,157
Financial assets, at year end	3,594,773	4,922,602
Less those unavailable for general expenditure within twelve months:		
Net assets restricted by donor with time or purpose restrictions	(1,696,032)	(1,685,877)
Board-designated endowment funds	(2,255,173)	(3,311,703)
Estimated draw from board-designated endowment	360,000	250,000
Financial assets available to meet cash needs for general expenditures within the next twelve months	<u>\$ 3,568</u>	<u>\$ 175,022</u>

As part of Easterseals' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Easterseals invests cash in excess of daily requirements in short-term investments, which are available for operational use should the need arise. Easterseals has a board-designated endowment fund of \$2,255,173 and \$3,311,703 at June 30, 2023 and 2022. Although Easterseals does not intend to spend from its board designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment may be drawn upon in the event of an immediate liquidity need resulting from events outside the typical life cycle.

The remaining amount that Easterseals has available to draw on its line of credit at June 30, 2023 and 2022 is \$72,841 and \$37,399, respectively.

NOTE 3 – ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
DDS accounts receivable	\$ 163,431	\$ 175,880
Less DDS Bridge Funding	<u>(263,766)</u>	<u>(263,766)</u>
Net DDS (refundable advance)/receivable	(100,335)	(87,886)
Vocational receivables, less allowance for uncollectible accounts of \$13,712 in 2023 and \$44,008 in 2022	46,197	146,493
Patient service receivables, less allowance for uncollectible accounts of \$13,517 in 2023 and \$43,383 in 2022	145,036	182,124
Other program receivables	207,177	221,119
Other grants receivable	46,268	-
Contributions receivable	<u>3,000</u>	<u>20,000</u>
	<u>\$ 347,343</u>	<u>\$ 481,850</u>

The opening and closing balance of the Organization's contract receivables, which are recognized within advances on accounts and grants receivable on the statements of financial position are as follows:

Opening (July 1, 2021)	\$ 688,217
Closing (June 30, 2022)	<u>328,617</u>
Decrease	<u>359,600</u>
Opening (July 1, 2022)	\$ 328,617
Closing (June 30, 2023)	<u>191,233</u>
Decrease	<u>\$ 137,384</u>

NOTE 4 – UNEMPLOYMENT TRUST RESERVE

Easterseals maintains an Unemployment Trust Reserve account to manage its unemployment claims. The account is held and managed by Unemployment Services Trust (“UST”). Easterseals has recorded an asset which represents the amount of cash in the reserve account, and an accrued liability for expected claims to be paid, which are included on the statements of financial position.

NOTE 5 – INVESTMENTS

Investments consist of the following at June 30,:

	2023	2022
Fixed income:		
Investment Grade Taxable	\$ 858,958	\$ 1,016,279
Municipal Bonds	24,019	83,882
Ishares Treasury Bond ETF	-	168,341
	<u>882,977</u>	<u>1,268,502</u>
Equities:		
U.S. Large Cap	2,309,650	2,914,796
International Developed	-	18,360
Emerging Markets	-	24,990
	<u>2,309,650</u>	<u>2,958,146</u>
Money Market	-	22,509
	<u>\$ 3,192,627</u>	<u>\$ 4,249,157</u>

All investments are valued using Level 1 inputs.

NOTE 6 – ENDOWMENT

Easterseals has adopted the provisions of the FASB *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Fund*. Easterseals' endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Easterseals has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") 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, Easterseals classifies as the permanent portion of net assets with donor restrictions (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent portion of net assets with donor restrictions, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, Easterseals considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Easterseals and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Easterseals
- The investment policies of Easterseals

NOTE 6 – ENDOWMENT (CONTINUED)

Endowment net asset composition is as follows at June 30,:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 937,454	\$ 937,454
Board-designated endowment	2,255,173	-	2,255,173
Total	<u>\$ 2,255,173</u>	<u>\$ 937,454</u>	<u>\$ 3,192,627</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 937,454	\$ 937,454
Board-designated endowment	3,311,703	-	3,311,703
Total	<u>\$ 3,311,703</u>	<u>\$ 937,454</u>	<u>\$ 4,249,157</u>

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, at July 1, 2021	<u>\$ 4,078,120</u>	<u>\$ 937,454</u>	<u>\$ 5,015,574</u>
Investment return:			
Interest and dividends, net of investment fees	53,527	13,382	66,909
Realized and unrealized losses	<u>(387,592)</u>	<u>-</u>	<u>(387,592)</u>
Total investment return	(334,065)	13,382	(320,683)
Transfers to operating cash	(445,734)	-	(445,734)
Released from restrictions	<u>13,382</u>	<u>(13,382)</u>	<u>-</u>
Endowment net assets, at June 30, 2022	<u>\$ 3,311,703</u>	<u>\$ 937,454</u>	<u>\$ 4,249,157</u>
Investment return:			
Interest and dividends, net of investment fees	40,466	10,116	50,582
Realized and unrealized gains	<u>266,224</u>	<u>-</u>	<u>266,224</u>
Total investment return	306,690	10,116	316,806
Transfers to operating cash	(1,373,336)	-	(1,373,336)
Released from restrictions	<u>10,116</u>	<u>(10,116)</u>	<u>-</u>
Endowment net assets, at June 30, 2023	<u>\$ 2,255,173</u>	<u>\$ 937,454</u>	<u>\$ 3,192,627</u>

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at June 30,:

	2023	2022
Land, buildings and building improvements	\$ 8,110,509	\$ 8,019,751
Equipment and vehicles	3,128,260	3,093,694
	11,238,769	11,113,445
Less accumulated depreciation	(5,384,880)	(4,915,162)
Total fixed assets, net	\$ 5,853,889	\$ 6,198,283

NOTE 8 – REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM

In 2021, Easterseals received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$767,416. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight to twenty-four week period (the “covered period”) following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months after the conclusion of the covered period (interest will accrue). During the year ended June 30, 2022, the full balance was forgiven and was recognized as income on the statement of activities.

NOTE 9 – RETIREMENT PLAN

Easterseals sponsors a defined contribution benefit plan (the “Plan”) and a tax sheltered annuity plan (“TSA”). Both plans cover employees who have attained age twenty-one and have completed 1,000 hours of service on an annual basis. Under the provisions of the Plan, Easterseals contributes a minimum of 2% of participants’ compensation on behalf of all employees. TSA participants may contribute additional amounts up to 20% of their compensation, with Easterseals matching up to 3% of the employees’ compensation. Participants will be 100% vested at the end of five years of participation in the plans for contributions made by Easterseals. Retirement expense amounted to \$128,972 and \$120,503 for the years ended June 30, 2023 and 2022, respectively.

NOTE 10 – LEASE COMMITMENTS

Operating Leases

Easterseals entered into an agreement to lease space in East Hartford, Connecticut, which expires November 30, 2029. Easterseals' estimated incremental borrowing rate of 5.0% was used in its present value calculations as the leases do not have a stated rate and the implicit rates were not readily determinable.

The following is a schedule of future minimum rental payments required under operating leases for the years ending June 30,:

2024	\$ 79,385
2025	81,398
2026	82,836
2027	82,836
2028	84,849
Thereafter	122,241
Total	533,545
Less imputed interest	(79,101)
Total operating lease liability	<u>\$ 454,444</u>

Lease cost is recorded on a straight-line basis over the term of Easterseals' office lease. The right-to-use assets and lease liabilities are as follows at June 30,:

	2023	2022
Right-of-use asset	<u>\$ 441,036</u>	<u>\$ -</u>
Operating lease liability	<u>\$ 454,444</u>	<u>\$ -</u>

In September 2019, Easterseals entered into a partnership with the State of Connecticut Department of Veterans Affairs ("DVA"), which included a lease for 11,485 square feet of space on DVA's campus in Rocky Hill, Connecticut. Commencing September 2019, the lease has a 5-year term, and rental costs of \$4,087 per month, of which all but \$6 per year is to be donated to Easterseals as part of an in-kind arrangement. The leased space is to be used specifically for the veterans program. Accordingly, for the years ending June 30, 2023 and 2022, \$49,038 has been recognized as in-kind rent contribution and related expense in the accompanying statements of activities. The contribution is reported at estimated fair value based on current rates for similar property leases.

Rental Income

Easterseals leases space at its building located at 100 Deerfield Road, Windsor, Connecticut, to a third party, through March 2027. Estimated rental income for the years ending June 30 is as follows:

2024	\$ 133,556
2025	136,895
2026	140,317
2027	107,199
	<u>\$ 517,967</u>

NOTE 11 – MORTGAGE PAYABLE

On June 30, 2016, Easterseals executed a commercial real estate mortgage note with Webster Bank, N.A., secured by the property at 24 Stott Ave., Norwich, CT, in the amount of \$541,500. The mortgage has an annual initial interest rate of 3.78%, subject to adjustment at the end of five years. The adjusted rate will be 2.5% above the Index Rate, which is the 5 Year Federal Home Loan Bank Classic Advance Rate in effect on the first date of the adjustment period commencing subsequent to the proceeding sixty-month period. Unless paid sooner, all amounts owed under the Note shall be due and payable in full on June 30, 2026.

The balance remaining on the mortgage was \$195,804 and \$256,228 as of June 30, 2023 and 2022, respectively.

Estimated maturities are as follows for the years ending June 30,:

2024	\$ 59,119
2025	61,242
2026	75,443
	<u>\$ 195,804</u>

NOTE 12 – LINE OF CREDIT

Easterseals has available a bank line of credit of \$100,000 secured by business assets, established in April 2020. Interest was 2.69% at June 30, 2023 and 2022. The outstanding balance was \$27,159 and \$62,556 as of June 30, 2023 and 2022, respectively. All advances shall be payable on or before the maturity date of April 6, 2024.

NOTE 13 – NATIONAL AFFILIATE

Easterseals is affiliated with Easterseals, Inc. and pays annual dues, which is included in membership fees in the statements of functional expenses. Dues expense amounted to \$45,000 and \$49,441 for the years ended June 30, 2023 and 2022, respectively.

NOTE 14 – CONCENTRATION OF REVENUES

Approximately 37% and 52% of total revenues and other support represents grants from state agencies for the years ended June 30, 2023 and 2022, respectively. If a reduction in the level of this support were to occur, there would be a significant impact on Easterseals' operations.

NOTE 15 – PROGRAM SERVICE FEES

Easterseals disaggregates program service fees by type of program. Disaggregated revenue by program type is as follows for the years ended June 30,:

	2023	2022
Medical rehabilitation services	\$ 654,429	\$ 475,780
Vocational rehabilitation services	1,333,104	1,146,303
	<u>\$ 1,987,533</u>	<u>\$ 1,622,083</u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Revenue under third party payer agreements is subject to audit and retroactive adjustment. Provisions for estimated third party settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported in operations in the year of settlement. Management believes that the government reimbursement principles have been properly applied and that no material adjustments will occur as a result of an audit.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Easterseals believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries are outstanding, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Easterseals is the recipient of bonding grants from various state agencies for the purpose of capital improvements. Easterseals has recognized these grants as revenue in the year the related capital project was completed. If the premises being purchased or improved with funds provided under these contracts cease to be used as approved by the State of Connecticut Bond Commission within 10 years from the date of final payment from the State, an amount equal to the amount of such funds minus 10% for each full year which has elapsed from the date of final payment shall be repaid by the Association to the State. Easterseals intends to abide by the terms of these agreements to the expiration dates.

Easterseals is, from time to time, subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of Easterseals.

On October 31, 2020, the former President and Chief Executive Officer (“Former CEO”) of Easterseals resigned from the position of President and Chief Executive Officer. The Former CEO has remained as an Easterseals employee. As part of the Former CEO’s employment contract effective July 1, 2018 through November 1, 2023, the Former CEO will be paid bi-weekly the sum of \$8,842 plus benefits including any Paid Time Off (PTO) owed at the termination of the contract which totals approximately \$280,000. In addition, the Former CEO’s spouse is entitled to health insurance benefits through November 1, 2026. All funds will be paid out with available cash flow.

NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows at June 30.:

	2023	2022
Endowment held in perpetuity	\$ 937,454	\$ 937,454
Veterans and Military Families Services	758,578	685,923
CVS Health - dementia clinic	-	20,000
Scott Grant - disability services	-	42,500
	<u>\$ 1,696,032</u>	<u>\$ 1,685,877</u>

Net assets were released from restrictions as follows during the years ended June 30.:

	2023	2022
Endowment earnings	\$ 10,116	\$ 13,382
Veterans and Military Family Services	140,552	385,330
Rally Point build out	-	2,494,504
CVS Health - dementia clinic	20,000	-
Scott Grant - disability services	42,500	-
Total net assets released from restriction	<u>\$ 213,168</u>	<u>\$ 2,893,216</u>

**II. REPORTS IN ACCORDANCE WITH
*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

To the Board of Directors of
Easterseals Capital Region & Eastern Connecticut, 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 Capital Region & Eastern Connecticut, Inc., which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, 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 December 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easterseals Capital Region & Eastern Connecticut, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Capital Region & Eastern Connecticut, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Easterseals Capital Region & Eastern Connecticut, 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Easterseals Capital Region & Eastern Connecticut, 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 Easterseals Capital Region & Eastern Connecticut, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
December 15, 2023

**III. REPORTS IN ACCORDANCE WITH
THE STATE SINGLE AUDIT ACT**

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT ACT

To the Board of Directors
Easterseals Capital Region & Eastern Connecticut, Inc.

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Easterseals Capital Region & Eastern Connecticut, Inc.'s compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Easterseals Capital Region & Eastern Connecticut, Inc.'s major state programs for the year ended June 30, 2023. Easterseals Capital Region & Eastern Connecticut, Inc.'s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Easterseals Capital Region & Eastern Connecticut, 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 state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Easterseals Capital Region & Eastern Connecticut, Inc.'s state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Easterseals Capital Region & Eastern Connecticut, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Easterseals Capital Region & Eastern Connecticut, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Easterseals Capital Region & Eastern Connecticut, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Easterseals Capital Region & Eastern Connecticut, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Easterseals Capital Region & Eastern Connecticut, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state 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 state 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 state 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut

December 15, 2023

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2023

State Grantor/ Pass Through Grantor/Program Title	State Grant Program CORE-CT Number	Passed Through to Subrecipients	Expenditures
Department of Mental Health and Addiction Services			
Employment Opportunities:			
Supported Employment	11000-MHA53000-16070	\$ -	\$ 26,654
Managed Service System:			
Supported Education	11000-MHA53000-12157	-	138,797
		-	165,451
Department of Developmental Services			
Employment Opportunities and Day Services	11000-DDS50000-16108	-	2,120,431
Department of Veterans Affairs			
Rally Point	11000-DVA21000-12638	-	500,000
Total State Financial Assistance		\$ -	\$ 2,785,882

See accompanying note to the schedule of expenditures of state financial assistance.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Note to Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Easterseals Capital Region & Eastern Connecticut, Inc. under programs of the State of Connecticut for the fiscal year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the schedule presents only a selected portion of the operations of Easterseals Capital Region & Eastern Connecticut, Inc., it is not intended and does not present the financial position, changes in net assets or cash flows of Easterseals Capital Region & Eastern Connecticut, Inc.

The accounting policies of Easterseals Capital Region & Eastern Connecticut, Inc. conform to accounting principles generally accepted in the United State of America as applicable to not-for-profit organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the schedule of expenditures of state financial assistance are presented on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

EASTERSEALS CAPITAL REGION & EASTERN CONNECTICUT, INC.

Schedule of State Findings and Questioned Costs

For the year ended June 30, 2023

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u>	none reported

Noncompliance material to the financial statements noted?

	_____ yes	_____ <u>X</u> no	
--	-----------	-------------------	--

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
Significant deficiency(ies) identified?	_____ yes	_____ <u>X</u>	none reported

Type of auditors' opinion issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

	_____ yes	_____ <u>X</u> no	
--	-----------	-------------------	--

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Developmental Services		
Employment Opportunities and Day Services	11000-DDS50000-16108	\$ 2,120,431
Department of Veterans Affairs		
Rally Point	11000-DVA21000-12638	\$ 500,000

The dollar threshold used to distinguish between type A and type B programs is \$200,000.

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

