

**EASTER SEALS NEVADA**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**



HOULDSWORTH, RUSSO & COMPANY

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**EASTER SEALS NEVADA**

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DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Easter Seals Nevada  
Las Vegas, Nevada

We have audited the accompanying financial statements of Easter Seals Nevada (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Easter Seals Nevada as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants  
**20** YEARS & COUNTING

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## **Report on Summarized Comparative Information**

We have previously audited Easter Seals Nevada's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Houldsworth, Russo & Company, P.C.*

Las Vegas, Nevada

April 5, 2018

**EASTER SEALS NEVADA**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, unrestricted	\$ 126,114	\$ 4,129
Cash, restricted	38,204	-
Certificate of deposit	309,113	308,188
Accounts receivable, net of allowance	1,023,842	766,690
Grants receivable	224,808	51,149
Prepaid expenses	45,417	40,665
	<u>1,767,498</u>	<u>1,170,821</u>
Property and equipment, net	<u>501,982</u>	<u>248,829</u>
<b>Other noncurrent assets:</b>		
Deposits	20,958	15,958
Gift annuities	76,883	76,609
	<u>97,841</u>	<u>92,567</u>
	<u>\$ 2,367,321</u>	<u>\$ 1,512,217</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Checks held	\$ 9,370	\$ 37,729
Accounts payable	128,152	108,332
Accrued expenses	408,644	341,297
Refundable advances	300,000	2,000
Capital lease obligation	27,830	-
Line of credit	-	350,000
	<u>873,996</u>	<u>839,358</u>
<b>Long-term liabilities:</b>		
Capital lease obligation	<u>62,016</u>	<u>-</u>
<b>Total liabilities:</b>	<u>936,012</u>	<u>839,358</u>
<b>Net assets:</b>		
Unrestricted	1,316,222	596,250
Temporarily restricted	<u>115,087</u>	<u>76,609</u>
Total net assets	<u>1,431,309</u>	<u>672,859</u>
	<u>\$ 2,367,321</u>	<u>\$ 1,512,217</u>

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>Changes in unrestricted net assets</b>		
Revenues, gains and support:		
Grants	\$ 5,020,232	\$ 4,064,977
Contributions	515,018	236,433
In-kind contributions	98,951	160,604
Special events revenue, net of \$27,126 and \$36,462 of direct expenses, respectively	22,921	14,425
Total unrestricted support	5,657,122	4,476,439
Other revenues:		
Community worksites	322,325	297,273
Fees for service	5,636,789	4,586,113
Assistive technology equipment sales	10,498	4,108
Interest income	925	924
Other	32,835	19,119
	6,003,372	4,907,537
	11,660,494	9,383,976
Expenses:		
Program services:		
Adult Day Services	1,766,927	1,405,894
Employment Training and Rehab Services	1,760,963	1,659,425
Employment Solutions	-	163,525
Assistive Technology Services	215,631	232,561
Fund for Healthy Nevada - Respite	79,962	174,347
Early Intervention	3,073,663	2,544,325
Answers for Autism	1,021,699	947,768
Independent Living	1,103,592	288,381
Children's Therapy Clinic	168,908	-
Support services:		
Management and general	1,373,423	1,002,730
Fundraising	264,980	188,576
	10,829,748	8,607,532
Bad debt expense	42,014	25,676
Unallocated payments to affiliates	68,760	66,946
	10,940,522	8,700,154
<b>Increase in unrestricted net assets</b>	719,972	683,822

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENTS OF ACTIVITIES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Changes in temporarily restricted net assets</b>		
Contributions	38,204	-
Unrealized gain on gift annuities	<u>274</u>	<u>9,803</u>
<b>Increase in temporarily restricted net assets</b>	38,478	9,803
<b>NET CHANGE IN NET ASSETS</b>	758,450	693,625
<b>Net assets (deficit), beginning of year</b>	<u>672,859</u>	<u>(20,766)</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,431,309</u></u>	<u><u>\$ 672,859</u></u>

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2017**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<b>Program Services</b>			
	<b>Adult Day Services</b>	<b>Employment Training and Rehab Services</b>	<b>Assistive Technology Services</b>	<b>Fund for Healthy Nevada - Respite</b>
Salaries and related	\$ 1,533,934	\$ 1,578,283	\$ 145,612	\$ 9,462
Professional fees and contracts	18,779	14,575	1,106	900
Supplies	45,726	8,662	2,769	1,950
Telecommunications	13,784	25,561	5,870	339
Postage and handling	1,368	1,133	231	-
Occupancy	66,653	66,127	12,098	41
Equipment, rent and maintenance	10,329	5,967	6,224	-
Printing, publications and media	2,005	1,114	1,055	-
Travel and transportation	9,120	14,892	15,613	-
Conference and meetings	2,278	2,269	11,123	-
Dues and memberships	744	581	363	-
Specific assistance	3,463	7,202	9,848	67,270
Insurance	14,904	9,988	1,403	-
Interest	-	-	-	-
Audit fees	-	-	-	-
Staff training and development	5,040	3,856	451	-
Miscellaneous	794	4,860	2	-
Depreciation and amortization	38,006	15,893	1,863	-
<b>Total expenses</b>	<b>\$ 1,766,927</b>	<b>\$ 1,760,963</b>	<b>\$ 215,631</b>	<b>\$ 79,962</b>

See accompanying notes to financial statements



**EASTER SEALS NEVADA**

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2017**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<b>Program Services</b>			
	<b>Early Intervention</b>	<b>Answers for Autism</b>	<b>Independent Living</b>	<b>Children's Therapy Clinic</b>
Salaries and related	\$ 1,615,276	\$ 805,557	\$ 279,372	\$ 56,768
Professional fees and contracts	1,173,461	42,018	2,557	14,084
Supplies	9,361	5,780	4,211	3,741
Telecommunications	55,807	59,029	6,234	546
Postage and handling	1,980	1,377	1,430	26
Occupancy	74,293	28,660	11,245	2,137
Equipment, rent and maintenance	19,246	6,845	11,680	3,805
Printing, publications and media	3,756	1,357	1,010	160
Travel and transportation	66,813	36,065	788	380
Conference and meetings	3,025	2,193	518	83
Dues and memberships	1,284	527	116	104
Specific assistance	12,943	1,200	779,317	87,074
Insurance	15,915	7,927	2,440	-
Interest	-	-	-	-
Audit fees	-	-	-	-
Staff training and development	3,959	15,118	452	-
Miscellaneous	350	419	175	-
Depreciation and amortization	16,194	7,627	2,047	-
<b>Total expenses</b>	<b>\$ 3,073,663</b>	<b>\$ 1,021,699</b>	<b>\$ 1,103,592</b>	<b>\$ 168,908</b>

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

**YEAR ENDED DECEMBER 31, 2017**

**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Special Event Direct Benefits</b>	<b>2017 Totals</b>	<b>2016 Totals</b>
Salaries and related	\$ 6,024,264	\$ 908,112	\$ 189,663	\$ -	\$ 7,122,039	\$ 6,128,231
Professional fees and contracts	1,267,480	112,061	35,605	-	1,415,146	1,192,104
Supplies	82,200	17,123	4,476	27,126	130,925	103,878
Telecommunications	167,170	22,119	8,996	-	198,285	159,198
Postage and handling	7,545	1,432	307	-	9,284	8,236
Occupancy	261,254	137,350	12	-	398,616	244,714
Equipment, rent and maintenance	64,096	26,388	1,650	-	92,134	130,226
Printing, publications and media	10,457	2,295	822	-	13,574	5,609
Travel and transportation	143,671	26,198	11,829	-	181,698	200,402
Conference and meetings	21,489	19,221	2,374	-	43,084	22,588
Dues and memberships	3,719	5,851	1,556	-	11,126	11,203
Specific assistance	968,317	-	1,947	-	970,264	247,686
Insurance	52,577	9,005	1,886	-	63,468	58,202
Interest	-	11,627	-	-	11,627	23,017
Audit fees	-	32,466	-	-	32,466	23,316
Staff training and development	28,876	4,662	1,157	-	34,695	15,649
Miscellaneous	6,600	18,175	97	-	24,872	30,665
Depreciation and amortization	81,630	19,338	2,603	-	103,571	39,070
<b>Total expenses</b>	<b>\$ 9,191,345</b>	<b>\$ 1,373,423</b>	<b>\$ 264,980</b>	<b>\$ 27,126</b>	<b>\$ 10,856,874</b>	<b>\$ 8,643,994</b>
<b>Less: Direct benefits to donors</b>				<b>(27,126)</b>	<b>(27,126)</b>	<b>(36,462)</b>
				<b>\$ -</b>	<b>\$ 10,829,748</b>	<b>\$ 8,607,532</b>

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 758,450	\$ 693,625
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gain on gift annuities	(274)	(9,803)
Depreciation and amortization	103,571	39,070
Provision for bad debt	(42,014)	9,245
Donated property and equipment	(48,461)	(64,950)
Increase in operating assets:		
Accounts receivable	(215,138)	(81,356)
Grants receivable	(173,659)	(7,008)
Prepaid expenses	(4,752)	(13,496)
Deposits	(5,000)	(9,617)
Increase (decrease) in operating liabilities:		
Accounts payable	19,820	(79,118)
Accrued expenses	67,347	55,212
Refundable advances	298,000	2,000
<b>Net cash provided by operating activities</b>	<b>757,890</b>	<b>533,804</b>
<b>Cash flows from investing activities:</b>		
Reinvestment in certificate of deposit	(925)	(924)
Purchase of property and equipment	(184,427)	(131,319)
<b>Net cash used in investing activities</b>	<b>(185,352)</b>	<b>(132,243)</b>
<b>Cash flows from financing activities:</b>		
Net payments on line of credit	(350,000)	(350,000)
Payments on capital lease obligations	(33,990)	(3,507)
<b>Net cash used in financing activities</b>	<b>(383,990)</b>	<b>(353,507)</b>
<b>Net increase in cash</b>	<b>188,548</b>	<b>48,054</b>
<b>Cash and checks held, beginning of year</b>	<b>(33,600)</b>	<b>(81,654)</b>
<b>Cash and checks held, end of year</b>	<b>\$ 154,948</b>	<b>\$ (33,600)</b>
Cash, unrestricted	\$ 126,114	\$ 4,129
Cash, restricted	38,204	-
Checks held	(9,370)	(37,729)
	<b>\$ 154,948</b>	<b>\$ (33,600)</b>

See accompanying notes to financial statements

**EASTER SEALS NEVADA**

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>Supplemental disclosures:</b>		
Assets acquired through accounts payable	\$ -	\$ 4,000
Assets acquired through capital lease obligations	<u>\$ 123,836</u>	<u>\$ -</u>
Interest expense paid	<u>\$ 11,627</u>	<u>\$ 23,017</u>

See accompanying notes to financial statements

## **EASTER SEALS NEVADA**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016**

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#### **1. Nature of Activities and Summary of Significant Accounting Policies**

##### **Nature of Activities**

Easter Seals Nevada (the Organization) is a nonprofit corporation whose mission is to create solutions that help people with disabilities become self-sufficient through direct services, education, and community partnerships. A majority of the Organization's support comes from agencies within the state of Nevada.

The following is a summary of the Organization's significant accounting policies:

##### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **Basis of Presentation**

Easter Seals Nevada presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Codification. Under FASB Codification, Easter Seals Nevada is required to report information regarding its financial position and changes in financial position activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### **Income Tax Status**

Easter Seals Nevada is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

##### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates include accounts receivable allowance, allocations for the functional expense statement, estimated useful lives for fixed assets, and the estimated fair value of the gift annuities.

##### **Reclassifications**

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

## **EASTER SEALS NEVADA**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016**

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#### **1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

##### **Accounts Receivable**

Accounts receivable result from contracts for the services of Easter Seals Nevada clients and are carried at the original billing amount less an estimated allowance for doubtful accounts based on an annual review of all outstanding amounts. Management reviews accounts receivable balances and performs evaluations of its accounts in order to determine whether or not a provision for potential loss is necessary. Recoveries of receivables previously written off are recorded when received. The Organization does not charge interest on past due accounts. Management has analyzed all uncollectible accounts and has recorded an allowance of \$63,491 and \$21,477 as of December 31, 2017 and 2016, respectively.

##### **Grants Receivable**

Grants receivable represent unreimbursed costs on outstanding grant balances. It is Easter Seals Nevada's policy to charge off uncollectible receivables when management determines the receivables will not be collected. There is no allowance at December 31, 2017 or 2016, as all grants receivable were determined to be collectible.

##### **Revenue Recognition**

Easter Seals Nevada accounts for contributions in accordance with the FASB Codification. As such, contributions are recognized as revenue when they are received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Community worksites and fees for service revenues are recognized when services are rendered. Grant and contract revenue is recognized when earned which is when qualifying expenses have been incurred. The Organization has several contractual agreements with third parties to reimburse program costs. These fees are included at gross amounts in "Fees for service" on the statements of activities.

##### **Refundable Advances**

Grant funds received prior to expenditure are initially recorded as refundable advances. The refundable advances are subsequently recognized as revenue when related services are performed.

## **EASTER SEALS NEVADA**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016**

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#### **1. Nature of Activities and Summary of Significant Accounting Policies (continued)**

##### **Donated Services**

Donations are recorded at their fair market value. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended December 31, 2016, the Organization recognized \$5,594 of in-kind maintenance and \$56,400 of computer services for both the administrative and program functions. There were no donated services recognized during the year ended December 31, 2017.

##### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, Easter Seals Nevada considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

##### **Property and Equipment**

Easter Seals Nevada generally capitalizes all acquisitions of property and equipment in excess of \$1,000 with a useful life of over one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives.

##### **Expense Allocations**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Expenses that can be identified with a specific program are applied directly to that program according to their natural expense classifications. Nonspecific program costs are allocated to the various programs and support services based on the estimates of management.

##### **Impairment of Long-Lived Assets**

Easter Seals Nevada reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount which the carrying amount of the assets exceeds the fair value of the assets. Management of Easter Seals Nevada believes that no adjustment for impairment was necessary at December 31, 2017 or 2016.

## EASTER SEALS NEVADA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016

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#### 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

##### Gifts of Long-Lived Assets

Easter Seals Nevada reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

##### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

#### 2. Description of Program Services

The Organization offers a wide variety of programs and services to the disabled and their families. Programs and services include the following:

**Adult Day Services** - offers adults and seniors with disabilities and special needs individualized programs to help them gain greater independence. This program teaches rehabilitation and self-help skills and allows for social interaction during the day. For many families, Easter Seals Nevada is a home away from home for their loved one with a disability.

**Employment Training and Rehab Services** - provides individuals with disabilities the opportunity to learn skills in a community enclave setting and provides for those individuals who are on the road to employment and pre-employment through assessments, job training, job coaching, job placement and follow along for those individuals ready to enter the community competitive employment. Program services also include vocational assessment, career counseling, assistance with preparing a resume, training on interview skills and proper work attire, assistance with obtaining work cards, job placement and job coaching.

**Employment Solutions** - offers support in the form of resume building, interview skills training, job development and placement and follow along to ensure a long term and successful job match. The Employment Solutions program ended December 31, 2016.



## EASTER SEALS NEVADA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017 AND 2016

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#### 2. Description of Program Services (continued)

**Assistive Technology Services** - Easter Seals Nevada is proud to be Nevada's premier provider of Assistive Technology (AT) and understands that technology is an integral part for people with disabilities meeting their independence goals. The Organization has a rich and diverse history in the field of AT with the AT Team having over 30 years combined experience providing these services. At Easter Seals Nevada, we believe that people with disabilities and their families are the "experts" regarding their abilities and needs. By working with our friendly and professional staff, individuals can make an educated choice regarding the assistive technology and services that will maximize their independence. The AT process includes a full evaluation, demonstration of devices and training.

**Fund for Healthy Nevada - Respite** - provides a respite reimbursement program to families of individuals with special needs. A family can choose a care provider that they trust so they can have some time for themselves to take part in other activities such as a date night, attend an activity with another child, grocery shop, attend a class, etc. Studies show that families who are burdened with the 24 hour, 7 day per week care of a loved one with a disability are more likely to become abusive and/or experience divorce because of the great deal of stress. Respite is a huge relief for caregivers. The Respite program ended June 30, 2017.

**Early Intervention** - services to help children, age birth to three with disabilities, achieve their goals in cognitive, social/emotional, communicative, adaptive and physical development. Services may include occupational therapy, physical therapy, and speech therapy. Our program is an educational model, taking place in the family's home so we can teach parents strategies that will allow them to be a part of their child's development. Services at this critical age are vital to successfully reaching developmental milestones and transitioning into school.

**Answers for Autism** - provides home based, one on one Applied Behavior Analysis (ABA) therapy for children of all ages who are on the autism spectrum. Assists children and their families to be independent and successful both at home and school through in home instruction, parent training and peer socialization opportunities.

**Independent Living** - provides services for all people with disabilities, regardless of age, to develop a person-centered plan that will help them to meet their goals to gain and maintain their independence. The plan will address goals for self-care, communication, home accessibility, community access and transportation needs.

**Children's Therapy Clinic** - provides individualized occupational, physical and speech therapy to children, ages 3 and up, in a center based clinic with state of the art equipment. This service equips children and families with the knowledge and skills needed to participate and be successful in daily activities.

## EASTER SEALS NEVADA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016

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#### 3. Employee Benefit Plan

Easter Seals Nevada participates in a 401(k) profit sharing plan. The Plan allows eligible employees to defer a portion of their compensation. The Organization, at its discretion, may match a portion of the employees' contribution. Easter Seals Nevada made no plan contributions during the years ended December 31, 2017 and 2016.

#### 4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 511,333	\$ 331,492
Buildings and improvements	1,641,710	1,570,235
Transportation equipment	<u>253,379</u>	<u>175,937</u>
	2,406,422	2,077,664
Less accumulated depreciation	<u>(1,904,440)</u>	<u>(1,828,835)</u>
	<u>\$ 501,982</u>	<u>\$ 248,829</u>

The Organization recorded \$72,612 and \$36,146 in depreciation expense for the years ended December 31, 2017 and 2016, respectively.

The Organization has paid \$1 for the use of a 2 ½ acre parcel of state land for a period of 30 years. The agreement for the lease of the land expired on June 30, 2013. A new agreement has not been established for the use of the land. The contribution of the use of state land has not been recognized, as management believes it does not have a significant impact on the financial results at December 31, 2017 or 2016.

#### 5. Concentrations

The Organization's cash and certificate of deposit accounts were held at a single financial institution and at times exceed the insured limits of the Federal Deposit Insurance Corporation. As of December 31, 2017, the Organization's uninsured balance totaled \$391,668.

A single grantor provided 73% and 80% of total grant revenue for the years ended December 31, 2017 and 2016, respectively. A single agency provided 69% of total fees for service for both the years ended December 31, 2017 and 2016. Two agencies accounted for 65% and 76% of the total accounts receivable for the years ended December 31, 2017 and 2016, respectively.

## EASTER SEALS NEVADA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016

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#### 6. Gift Annuities

The gift annuities consist of contracts from three individuals originally valued at various amounts. The agreements are gift annuity contracts between Easter Seals, Inc. (the national affiliate) and unrelated donors. Seventy-five percent of the residuum is to be returned to Easter Seals Nevada for support services. The asset was recognized at fair value on the date of contribution and is adjusted annually for the Organization's portion of gains and losses recorded by Easter Seals, Inc. The fair value of the annuities was \$76,883 and \$76,609 at December 31, 2017 and 2016, respectively.

#### 7. Operating Leases

The Organization leases office space, community worksite space and equipment under operating leases expiring through October 2022.

The future minimum payments under these operating lease agreements are as follows:

2018	\$	341,121
2019		350,004
2020		359,153
2021		351,216
2022		<u>218,625</u>
	\$	<u>1,620,119</u>

Total rent expense, including common area maintenance charges, under these operating leases was \$324,137 and \$190,271 for the years ended December 31, 2017 and 2016, respectively and is included in "Occupancy" and "Equipment, rent and maintenance" on the statement of functional expenses.

#### 8. Investments and Fair Value Measurements

Investments consist of the following at December 31:

		<u>2017</u>	<u>2016</u>
Certificate of deposit	\$	309,113	\$ 308,188
Gift annuities		<u>76,883</u>	<u>76,609</u>
	\$	<u>385,996</u>	<u>384,797</u>

The Organization applies the standards of the fair value measurements and disclosure of the FASB ASC 820, which provides a framework for measuring fair value under generally accepted accounting principles. These standards apply to all financial instruments that are being measured and reported on a fair value basis. The Organization reports its certificate of deposit and gift annuities on a fair value basis. Fair value measurements are categorized on three levels.

**EASTER SEALS NEVADA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

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**8. Investments and Fair Value Measurements (continued)**

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 309,113	\$ 309,113	\$ -	\$ -
Gift annuities	<u>76,883</u>	<u>-</u>	<u>76,883</u>	<u>-</u>
	<u>\$ 385,996</u>	<u>\$ 309,113</u>	<u>\$ 76,883</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 308,188	\$ 308,188	\$ -	\$ -
Gift annuities	<u>76,609</u>	<u>-</u>	<u>76,609</u>	<u>-</u>
	<u>\$ 384,797</u>	<u>\$ 308,188</u>	<u>\$ 76,609</u>	<u>\$ -</u>

**9. Line of Credit**

On October 5, 2017, the Organization renewed a \$500,000 line of credit with a financial institution, bearing an interest rate with a floor of 5% and secured by the certificate of deposit maintained by the Organization. The outstanding balance on this line of credit was \$0 and \$200,000 at December 31, 2017 and 2016, respectively. The line of credit matures October 26, 2018.

On October 5, 2017, the Organization renewed a \$250,000 unsecured line of credit with a financial institution, bearing a variable interest rate with a floor of 5%. The outstanding balance on this line of credit was \$0 and \$150,000 at December 31, 2017 and 2016, respectively. The line of credit matures October 24, 2018.

The Organization has a \$10,000 overdraft line of credit for its checking account. There was no outstanding balance on this line of credit at December 31, 2017 or 2016.

## EASTER SEALS NEVADA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2017 AND 2016

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#### 10. Capital Lease

Easter Seals Nevada leased office equipment under an agreement that expired in September 2016. In November 2016, the Organization entered into a new capital lease for office equipment. The capital lease is effective January 1, 2017 and expires December 31, 2020. Amortization related to these leases is included in depreciation expense. The lease requires monthly principal and interest payments of \$2,799.

The following property included in the accompanying financial statements was leased under a capital lease as of December 31:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 123,836	\$ 11,694
Less accumulated amortization	<u>(30,959)</u>	<u>(11,694)</u>
	<u>\$ 92,877</u>	<u>\$ -</u>

Total amortization expense for the asset under capital lease for the years ended December 31, 2017 and 2016 was \$30,959 and \$2,924, respectively.

Future minimum capital lease payments for the year ended December 31, 2017 are as follows:

2018	\$ 33,588
2019	33,588
2020	<u>28,381</u>
	95,557
Less interest	(5,711)
Less current portion	<u>(27,830)</u>
Long-term portion	<u>\$ 62,016</u>

#### 11. National Affiliate

On September 1, 2002, Easter Seals Nevada entered into a membership agreement with Easter Seals, Inc. ("Easter Seals"), a nonprofit corporation and national affiliate. As a result of this membership agreement, Easter Seals Nevada is required to pay an annual membership fee. The fee for the years ending December 31, 2017 and 2016 was \$57,986 and \$52,581, respectively. Easter Seals Nevada also paid \$10,774 and \$14,365 to national for planned giving contributions during the years ended December 31, 2017 and 2016, respectively.

**EASTER SEALS NEVADA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

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**12. Sublease Agreement**

In August 2016, the Organization entered into a sublease agreement for office space. The sublease agreement was effective September 1, 2016 and was to expire August 31, 2021. The lease requires monthly payments of \$1,000. Total rental income of \$8,000 and \$3,433 was received during the years ended December 31, 2017 and 2016, respectively. This sublease agreement was terminated on August 31, 2017.

**13. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gift annuities	\$ 76,883	\$ 76,609
Early Intervention – camp and recreation	3,203	-
Children’s Therapy Clinic	<u>35,001</u>	<u>-</u>
	<u>\$ 115,087</u>	<u>\$ 76,609</u>

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gift annuities	\$ 76,883	\$ 76,609
Cash	<u>38,204</u>	<u>-</u>
	<u>\$ 115,087</u>	<u>\$ 76,609</u>

**14. Subsequent Events**

Subsequent events were evaluated through April 5, 2018, which is the date the financial statements were available to be issued.

**15. Acquisition**

On January 1, 2018, the Organization acquired Toys 4 Smiles, a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, dedicated to creating toys, from donated scrap hard woods, for children of all ages in need of a smile. Toys 4 Smiles will be a program within the Organization.

With this acquisition, Toys 4 Smiles cars will also be used to assist in developmental therapy for children with disabilities and will enhance services in the Children’s Therapy Clinic and Answers for Autism programs. Additionally, the Organization will expand the program to create occupational opportunities for veterans and adults with disabilities who have completed its Employment Training program, providing adults with disabilities the opportunity to earn a paycheck. The initial accounting for the acquisition was incomplete at the time financial statements were available to be issued. The assets obtained, and liabilities assumed are unknown and have not been disclosed.