



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Easterseals Central and Southeast Ohio, Inc.

Financial Statements

Years Ended August 31, 2022 and 2021

(with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Easterseals Central and Southeast Ohio, Inc.:

Opinion

We have audited the accompanying financial statements of Easterseals Central and Southeast Ohio, Inc. (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, 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 Central and Southeast Ohio, Inc. as of August 31, 2022 and 2021, and the changes in their net assets and their 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. 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 Central and Southeast Ohio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Central and Southeast Ohio, Inc.'s 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 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, including omissions, 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, 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 Central and Southeast Ohio, Inc.'s 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 Central and Southeast Ohio, Inc.'s 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.

Clark, Schaefer, Hackett & Co.

Columbus, Ohio
January 26, 2023

Easterseals Central and Southeast Ohio, Inc.
Statements of Financial Position
August 31, 2022 and 2021

	2022	2021
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,492,882	2,743,216
Accounts receivable, net	1,378,675	199,759
Prepaid expenses	20,320	56,292
Investments at fair value	2,211,629	2,473,328
Total current assets	6,103,506	5,472,595
Noncurrent assets:		
Property and equipment, net	2,539,099	2,609,080
Mortgage interest swap	34,212	-
Other assets	1,702,098	1,883,859
Total noncurrent assets	4,275,409	4,492,939
Total assets	\$ 10,378,915	9,965,534
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 86,432	57,598
Accrued expenses and employee compensation	234,245	209,263
Deferred income	565,453	516,543
Capital lease obligation, current portion	9,231	5,168
Notes payable, current portion	106,330	102,432
Mortgage payable, current portion	91,063	87,277
Total current liabilities	1,092,754	978,281
Long term liabilities:		
Capital lease obligation	34,522	9,216
Mortgage interest swap	-	64,837
Notes payable	316,210	422,278
Mortgage payable	1,156,820	1,245,548
Total long term liabilities	1,507,552	1,741,879
Net assets:		
Without donor restrictions	7,199,619	6,597,543
With donor restrictions	578,990	647,831
Total net assets	7,778,609	7,245,374
Total liabilities and net assets	\$ 10,378,915	9,965,534

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.
Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support:			
Contributions	\$ 291,159	-	291,159
Special events, net of related expenses	79,331	-	79,331
Program service fees	2,142,715	175,153	2,317,868
Grants and contract revenue	1,994,747	-	1,994,747
Investment income, net	(425,144)	-	(425,144)
In-kind contributions	5,450	-	5,450
Mortgage interest rate swap gain	99,049	-	99,049
Other	1,527,013	-	1,527,013
Net assets released from restrictions	243,994	(243,994)	-
Total revenues, gains and support	5,958,314	(68,841)	5,889,473
Expenses:			
Program expenses:			
Public Health Education	65,559	-	65,559
Early Childhood Education	806,560	-	806,560
After School	335,265	-	335,265
Other	167,042	-	167,042
Adult Day - Ross	345,870	-	345,870
Adult Day - Lawrence	332,578	-	332,578
Adult Day - Scioto	170,910	-	170,910
In-Home and Ohio Home Choice	1,460,096	-	1,460,096
Ombudsman	971,406	-	971,406
Total program expenses	4,655,286	-	4,655,286
Supporting expenses:			
Management and general	488,218	-	488,218
Fundraising	163,486	-	163,486
Total supporting expenses	651,704	-	651,704
Unallocated payments to to affiliated organizations	49,248	-	49,248
Total expenses	5,356,238	-	5,356,238
Change in net assets	602,076	(68,841)	533,235
Net assets at beginning of year	6,597,543	647,831	7,245,374
Net assets at end of year	\$ 7,199,619	578,990	7,778,609

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.
Statement of Activities
Year Ended August 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and support:			
Contributions	\$ 373,779	-	373,779
Special events, net of related expenses	77,879	-	77,879
Program service fees, net	2,090,368	229,173	2,319,541
Grants and contract revenue	4,671,094	-	4,671,094
Investment income, net	339,829	-	339,829
In-kind contributions	55,335	-	55,335
Mortgage interest rate swap loss	37,100	-	37,100
Other	1,078,321	-	1,078,321
Net assets released from restrictions	<u>151,436</u>	<u>(151,436)</u>	<u>-</u>
Total revenues, gains and support	<u>8,875,141</u>	<u>77,737</u>	<u>8,952,878</u>
Expenses:			
Program expenses:			
Public Health Education	82,955	-	82,955
Early Childhood Education	747,537	-	747,537
After school	275,501	-	275,501
Other	127,117	-	127,117
Adult Day - Ross	289,927	-	289,927
Adult Day - Knox	125,439	-	125,439
Adult Day - Lawrence	356,268	-	356,268
Adult Day - Scioto	112,743	-	112,743
In-Home and Ohio Home Choice	1,495,179	-	1,495,179
Ombudsman	<u>764,473</u>	<u>-</u>	<u>764,473</u>
Total program expenses	<u>4,377,139</u>	<u>-</u>	<u>4,377,139</u>
Supporting expenses:			
Management and general	412,861	-	412,861
Fundraising	<u>163,669</u>	<u>-</u>	<u>163,669</u>
Total supporting expenses	<u>576,530</u>	<u>-</u>	<u>576,530</u>
Unallocated payments to to affiliated organizations	<u>57,363</u>	<u>-</u>	<u>57,363</u>
Total expenses	<u>5,011,032</u>	<u>-</u>	<u>5,011,032</u>
Change in net assets	3,864,109	77,737	3,941,846
Net assets at beginning of year	<u>2,733,434</u>	<u>570,094</u>	<u>3,303,528</u>
Net assets at end of year	<u>\$ <u>6,597,543</u></u>	<u><u>647,831</u></u>	<u><u>7,245,374</u></u>

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.
Statement of Functional Expenses
Year Ended August 31, 2022

	Public Health Education	Early Childhood Education	After School	Other	Adult Day Ross	Adult Day Lawrence	Adult Day Scioto	In-Home Ohio Home Choice	Ombudsman	Management and General	Fund- raising	Total
Salaries	\$ 36,065	447,445	147,249	17,624	172,269	181,657	76,689	1,115,558	624,248	357,280	96,334	3,272,418
Payroll taxes	2,764	35,183	11,652	1,289	13,510	14,172	5,685	102,748	48,839	27,825	7,582	271,249
Employee benefits	1,639	13,997	9,359	1,635	4,710	8,728	7,535	26,699	30,429	9,399	4,145	118,275
Total salaries and benefits	<u>40,468</u>	<u>496,625</u>	<u>168,260</u>	<u>20,548</u>	<u>190,489</u>	<u>204,557</u>	<u>89,909</u>	<u>1,245,005</u>	<u>703,516</u>	<u>394,504</u>	<u>108,061</u>	<u>3,661,942</u>
Professional contracts	7,929	170,177	76,455	49,863	19,899	15,187	7,084	102,932	53,271	70,269	24,969	598,035
Supplies	680	7,816	24,865	91,626	5,420	3,398	2,302	1,765	10,892	1,044	1,243	151,051
Telephone	441	4,188	4,003	(79)	6,451	9,989	1,722	2,517	11,342	930	1,166	42,670
Postage and shipping	302	413	400	154	351	239	113	1,673	1,730	149	75	5,599
Occupancy	455	27,696	14,543	270	18,891	31,592	28,630	967	20,764	1,292	3,240	148,340
Minor equipment	966	9,390	3,883	632	11,860	8,306	4,526	8,596	29,269	3,598	2,708	83,734
Local transportation	794	5,473	4,315	1,649	14,084	7,909	4,474	23,267	35,668	4,486	817	102,936
Conferences and meetings	88	3,127	402	309	609	407	217	2,123	4,395	622	1,914	14,213
Printing and publications	10,638	2,594	2,795	277	3,856	2,984	1,573	9,025	48,648	2,050	847	85,287
Insurance	549	6,029	6,629	548	4,933	3,289	1,644	23,022	15,545	2,193	1,096	65,477
Membership fees	423	2,458	1,136	210	11,227	7,263	4,447	3,562	8,988	756	6,275	46,745
Interest	634	7,103	5,098	632	19,574	4,011	1,894	26,501	8,221	2,531	1,281	77,480
Miscellaneous	188	2,295	1,268	149	1,511	3,208	487	7,005	5,858	941	2,637	25,547
Subtotal	<u>64,555</u>	<u>745,384</u>	<u>314,052</u>	<u>166,788</u>	<u>309,155</u>	<u>302,339</u>	<u>149,022</u>	<u>1,457,960</u>	<u>958,107</u>	<u>485,365</u>	<u>156,329</u>	<u>5,109,056</u>
Depreciation	1,004	61,176	21,213	254	36,715	30,239	21,888	2,136	13,299	2,853	7,157	197,934
Total expenses	\$ <u>65,559</u>	<u>806,560</u>	<u>335,265</u>	<u>167,042</u>	<u>345,870</u>	<u>332,578</u>	<u>170,910</u>	<u>1,460,096</u>	<u>971,406</u>	<u>488,218</u>	<u>163,486</u>	<u>5,306,990</u>
Percent of total expenses	1.3%	15.2%	6.3%	3.1%	6.5%	6.3%	3.2%	27.5%	18.3%	9.2%	3.1%	100.0%

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.
Statement of Functional Expenses
Year Ended August 31, 2021

	Public Health Education	Early Childhood Education	After School	Other	Adult Day Ross	Adult Day Knox	Adult Day Lawrence	Adult Day Scioto	In-Home Services	Ombudsman	Management and General	Fund- raising	Total
Salaries	\$ 44,035	425,694	127,582	1,467	120,912	33,215	189,338	51,476	1,154,281	500,618	294,675	107,661	3,050,954
Payroll taxes	3,313	33,093	10,737	98	9,598	2,533	15,239	4,184	110,548	38,430	22,421	7,793	257,987
Employee benefits	5,831	16,422	4,373	203	6,292	1,313	6,678	825	5,114	40,701	10,541	5,869	104,162
Total salaries and benefits	<u>53,179</u>	<u>475,209</u>	<u>142,692</u>	<u>1,768</u>	<u>136,802</u>	<u>37,061</u>	<u>211,255</u>	<u>56,485</u>	<u>1,269,943</u>	<u>579,749</u>	<u>327,637</u>	<u>121,323</u>	<u>3,413,103</u>
Professional contracts	17,410	123,126	68,481	48,894	23,250	14,208	17,803	7,527	111,729	37,248	66,370	16,864	552,910
Supplies	278	9,746	6,470	72,052	7,143	328	5,113	1,536	1,984	8,786	935	1,809	116,180
Telephone	733	4,848	3,200	21	6,290	1,811	11,768	1,435	6,256	9,914	305	1,090	47,671
Postage and shipping	276	399	377	99	329	214	220	106	1,633	1,278	151	72	5,154
Occupancy	639	26,768	8,953	14	15,587	35,911	29,879	28,364	1,334	12,155	1,054	2,942	163,600
Minor equipment	1,018	13,217	4,593	2,528	13,271	4,954	8,797	3,635	7,032	21,174	3,031	5,967	89,217
Local transportation	275	2,653	2,622	161	7,621	5,144	7,159	1,615	24,701	13,116	2,970	861	68,898
Conferences and meetings	515	2,372	748	107	623	387	451	205	2,944	1,758	965	384	11,459
Printing and publications	4,842	1,363	1,435	139	1,020	315	1,113	280	6,811	37,300	892	437	55,947
Insurance	512	5,634	6,476	512	4,609	3,073	3,073	1,536	21,509	9,722	2,049	1,024	59,729
Membership fees	689	3,130	560	44	9,739	6,459	6,767	3,356	1,994	5,482	428	3,195	41,843
Interest	716	7,881	5,732	716	21,708	4,299	4,481	2,149	30,091	5,015	2,866	1,433	87,087
Miscellaneous	206	1,229	601	32	607	358	2,749	213	3,949	5,441	474	938	16,797
Subtotal	<u>81,288</u>	<u>677,575</u>	<u>252,940</u>	<u>127,087</u>	<u>248,599</u>	<u>114,522</u>	<u>310,628</u>	<u>108,442</u>	<u>1,491,910</u>	<u>748,138</u>	<u>410,127</u>	<u>158,339</u>	<u>4,729,595</u>
Depreciation	1,667	69,962	22,561	30	41,328	10,917	45,640	4,301	3,269	16,335	2,734	5,330	224,074
Total expenses	\$ <u>82,955</u>	<u>747,537</u>	<u>275,501</u>	<u>127,117</u>	<u>289,927</u>	<u>125,439</u>	<u>356,268</u>	<u>112,743</u>	<u>1,495,179</u>	<u>764,473</u>	<u>412,861</u>	<u>163,669</u>	<u>4,953,669</u>
Percent of total expenses	1.6%	15.1%	5.6%	2.6%	5.9%	2.5%	7.2%	2.3%	30.2%	15.4%	8.3%	3.3%	100.0%

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.
Statements of Cash Flows
Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 533,235	3,941,846
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	197,934	224,074
Cash surrender value of life insurance	9,094	8,872
Gain on sale/disposal of property, plant and equipment, net	(858)	-
Realized and unrealized (gain) on investments	(76,299)	(282,876)
Realized and unrealized (gain) loss and reinvested interest and dividends on beneficial interest in assets held by others	183,057	(12,817)
Changes in assets and liabilities:		
Accounts receivable	(1,178,916)	27,494
Prepaid expenses	35,972	(31,970)
Other assets	(10,390)	(1,526,428)
Accounts payable	28,834	17,193
Accrued expenses	24,982	34,553
Deferred income	48,910	458,336
Total adjustment	(737,680)	(1,083,569)
Net cash flows from operating activities	(204,445)	2,858,277
Cash flows from investing activities:		
Proceeds from sale of investments	409,319	642,204
Purchase of investments	(71,321)	(679,658)
Acquisition of property and equipment	(88,665)	(101,438)
Net cash flows from investing activities	249,333	(138,892)
Cash flows from financing activities:		
Payments on long-term debt	(84,942)	(296,442)
Payments on notes	(102,170)	-
PPP loan forgiveness	-	(648,500)
Gain on interest rate swap	(99,049)	(37,100)
Payments on capital leases	(9,061)	(6,651)
Net cash flows from financing activities	(295,222)	(988,693)
Net change in cash and cash equivalents	(250,334)	1,730,692
Cash and cash equivalents at beginning of year	2,743,216	1,012,524
Cash and cash equivalents at end of year	\$ 2,492,882	2,743,216
Supplemental Disclosure:		
Acquisition of property through capital lease	38,430	-
Interest paid	\$ 77,480	87,087

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of Easterseals Central and Southeast Ohio, Inc. are set forth to facilitate the understanding of data presented in the financial statements.

Nature of activities

Easterseals Central and Southeast Ohio, Inc. (the Organization) is a not-for-profit corporation established to provide education and rehabilitative services to individuals with disabilities in the Central and Southeast Ohio area. The Organization is a local affiliate of Easterseals, Inc.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation

The Organization reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions which have no donor-imposed restrictions and net assets with donor restrictions which are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. See Note 8 for the Organization's net assets that must be maintained in perpetuity as of August 31, 2022 and 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), except for income derived from unrelated business activities, as defined in the Code.

Cash and cash equivalents

Cash and cash equivalents are defined as cash and investments with original maturities of three months or less at time of purchase.

Investments

Investments are stated at fair value and realized and unrealized gains and losses are reflected in the statements of activities net of investment expenses. See Note 4 for discussion of fair value measurements.

Accounts receivable

Certain receivable of the Organization are due from third-party payers, including Medicaid. Management estimates an allowance for doubtful accounts. The estimate is based upon management's review of delinquent accounts and an assessment of the Organization's historical evidence of collections. No bad debt expense was recognized for the years ended August 31, 2022 and 2021, as a result of this estimate.

Revenue Recognition

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. Program services revenues are based on the satisfaction of performance obligation at a point in time, which is the completion of services provided.

Property and equipment

Property and equipment of \$1,000 or more are recorded at cost. Depreciation is computed on the straight-line method over estimated useful lives of the assets, which range from three to thirty years. Repairs and maintenance that do not extend the lives of the applicable assets are charged to expense as incurred. Dispositions of property and equipment are accounted for as reductions of the capitalized costs and related accumulated depreciation. Any resulting gain or loss is reflected in operations. Additionally, the Ohio Department of Aging (ODA), in its role as a pass-through entity for the Department of Health and Human Services, retains reversionary interest in capitalized assets purchased with ODA sourced funds.

Beneficial Interest in Assets Held by Others

The Organization is the beneficiary for three funds held at The Columbus Foundation, Inc. The Organization transfers assets to these funds and makes withdrawals as called for by specific program needs. The Organization retains the right to add or remove from these funds from time to time, as necessary. However, The Columbus Foundation has variance power over two of the funds and reserves the right to redirect the use of the transferred assets to another beneficiary. In accordance with guidance related to charitable trusts that raise or hold contributions for others, the Organization has recognized an other asset for the fair value of the funds. The fair value is generally equivalent to the present value of the future payments expected to be received by the Organization from the funds.

Cash Surrender Value of Life Insurance

The Organization has received various life insurance policies donated by individuals from time to time. The Organization is both owner and beneficiary of the policies with annual premium payments required from the insured. In the event of default by the insured, the Organization, at its option, may continue premium payments. There are no donor stipulations on the use of proceeds that may come from these policies, either at the donor's death or through redemption of cash surrender values. There were ten policies in force during 2022 and 2021 with an aggregate face value of \$470,028 and \$466,934, respectively. The policies had an aggregate cash surrender value of \$276,003 and \$266,909 at August 31, 2022 and 2021, respectively, and are included in other assets on the statements of financial position.

In-kind contributions

The Organization records in-kind services as revenue in the financial statements at their estimated value. In-kind services are not recorded if no objective basis is available to measure the value received by the Organization.

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among benefited programs and supporting services. All fundraising costs are charged to fundraising; there are no joint costs.

Advertising costs

Advertising costs are expensed as incurred.

Subsequent events

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 26, 2023, the date on which the financial statements were available to be issued.

2. RELATED PARTY TRANSACTIONS:

The Organization incurred \$49,248 and \$57,363 of costs associated with its national affiliate Easterseals, Inc. and other regional Easterseals organizations for the years ended August 31, 2022 and 2021, respectively.

During 2018, the Organization established an agreement with two Easterseals affiliates within Ohio for the joint services of a government relations and advocacy consultant. Focused Capital Solutions LLC has been engaged to fulfil these responsibilities. Each affiliate will be billed monthly by the Organization for services provided by the Focused Capitol Solutions, respectively. At August 31, 2022 and 2021, \$3,000 and \$-0- was due to the Organization from the affiliates, respectively.

3. INVESTMENTS:

The Organization records its investments at fair market value in accordance with the Financial Accounting Standards Board (FASB) guidance on fair value measurements. Investments by type consist of the following at August 31:

	2022		2021	
	Cost	Market Value	Cost	Market Value
Cash and Cash Equivalents	\$ 517,115	517,115	133,882	133,882
Fixed Income	735,413	675,795	946,133	950,990
Equity	686,271	971,507	767,668	1,333,731
Real Estate Investments	49,360	47,212	49,360	54,725
	\$ 1,988,159	2,211,629	1,897,043	2,473,328

4. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. Investments in debt securities are valued based on observable inputs including, but not limited to time to maturity, effective and current interest rates and principal amount. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the Organization's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Mutual Funds: Valued at the NAV of shares at year-end.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial Interest in Net Assets Held by Others: Valued based upon the Organization's proportional share of the underlying assets and is valued on a recurring basis. However, because there is not currently an active market to observe quoted prices for beneficial interest in net assets held by others, the assets are considered to be valued using unobservable inputs and are therefore considered to be Level 3 assets.

Interest Rate Swap: Valued based on prevailing market data and derived from proprietary models based on well recognized financial principles and reasonable estimates about relevant future market conditions.

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value as of August 31:

Easterseals Central and Southeast Ohio, Inc.
Notes to the Financial Statements
August 31, 2022 and 2021

2022				
	Level 1	Level 2	Level 3	Total
Assets				
Cash & Cash Equivalents	\$ 517,115	-	-	517,115
Fixed Income	675,795	-	-	675,795
Equity	971,507	-	-	971,507
Real Estate Investments	47,212	-	-	47,212
Interest rate swaps	-	34,212	-	34,212
Total Investments	2,211,629	34,212	-	2,245,841
Beneficial Interest Held by others	-	-	1,403,743	1,403,743
Total assets at fair value	\$ 2,211,629	34,212	1,403,743	3,649,584

2021				
	Level 1	Level 2	Level 3	Total
Assets				
Cash & Cash Equivalents	\$ 133,882	-	-	133,882
Fixed Income	950,990	-	-	950,990
Equity	1,333,731	-	-	1,333,731
Real Estate Investments	54,725	-	-	54,725
Total Investments	2,473,328	-	-	2,473,328
Beneficial Interest Held by others	-	-	1,586,800	1,586,800
Total assets at fair value	\$ 2,473,328	-	1,586,800	4,060,128
Liabilities				
Interest rate swaps	\$ -	64,837	-	64,837

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets and liabilities for the years ended August 31:

	2022	2021
Beginning Balance	\$ 1,586,800	73,983
Additions	-	1,500,000
Unrealized gain (loss)	(183,057)	12,817
Ending balance	\$ 1,403,743	1,586,800

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 618,288	618,288
Building	3,254,606	3,218,576
Equipment	542,056	611,245
Automobiles	245,109	254,109
Leasehold Improvements	135,594	115,594
	<u>4,795,653</u>	<u>4,817,812</u>
Less accumulated depreciation	<u>(2,256,554)</u>	<u>(2,208,732)</u>
	<u>\$ 2,539,099</u>	<u>2,609,080</u>

6. PENSION PLAN:

The Organization terminated its' defined benefit pension plan during fiscal year ended August 31, 2020. The Organization entered into a promissory note for the remaining benefit obligation (see Note 7).

7. LONG-TERM DEBT:

The Organization entered into a promissory note with a financial institution in May 2012 for a maximum amount of \$399,500. Beginning January 2016, interest changed to 3.50% plus the U.S. Treasury 1-year rate for 59 consecutive principal and interest payments of \$2,547. In November 2018, this note was refinanced in the amount of \$336,000 with an interest rate of 5.2% per annum. On November 14, 2028, all unpaid principal and interest is due in one balloon payment. The Organization's outstanding balances as of August 31, 2022 and 2021 were \$230,663 and \$261,034, respectively.

The Organization entered into a mortgage agreement with a financial institution in 2010 for \$1,600,000. In November 2015, the Organization amended the agreement, extending the maturity date to November 2025 and changing the interest rate to be a floating rate per annum equal to 1.95% in excess of LIBOR (London Interbank Offered Rate). The agreement contains a debt service coverage ratio covenant. The loan is collateralized by the property. The Organization's outstanding balances as of August 31, 2022 and 2021 were \$1,017,220 and \$1,071,791.

The Organization entered into a promissory note with a financial institution in August 2020 for a maximum amount of \$740,000 to terminate its' pension plan. Principal and interest payments of \$10,030 are due monthly beginning September 2020 and a final payment of \$241,596 is due August 2025. The interest rate on the note is 3.75%. The Organization's outstanding balances as of August 31, 2022 and 2021 was \$422,540 and \$524,710, respectively.

Future principal mortgage payments are as follows:

Year ending August 31	Amount
2023	\$ 91,063
2024	92,841
2025	934,892
2026	37,397
2027	39,417
Thereafter	<u>52,273</u>
	<u>\$ 1,247,883</u>

Future principal note payments are as follows:

Year ending August 31	Amount
2023	\$ 106,330
2024	110,407
2025	<u>205,803</u>
	<u>\$ 422,540</u>

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with temporary restrictions are available for the following purposes at August 31:

	<u>2022</u>	<u>2021</u>
Program services	\$ 42,505	54,736
Endowment investment return pending board appropriation	<u>91,125</u>	<u>147,735</u>
	<u>\$ 133,630</u>	<u>202,471</u>

Aladdin Temple Endowment – In September 1980, the Organization received a \$445,360 endowment under terms of an agreement with the Aladdin Shriners' Hospital Association for Children, Inc., which is a charitable not-for-profit corporation created and administered by the Officers and Board of Trustees of Aladdin Temple. Under terms of the agreement, the corpus of the fund may be invested but not used by the Organization. All interest and dividend income from the fund is available for the use of the

Organization. However, the income is restricted to expenditures relating to the care and treatment of children with disabilities.

The endowment agreement also contains a reverter clause, which would cause the principal fund and undistributed earned income to revert, should the Organization cease to exist, fail to use income properly, or receive sufficient funds from any governmental agency to cover all costs of providing care.

The Organization has interpreted Ohio's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As such, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the entity in a manner consistent with the standard of prudence prescribed by UPMIFA.

The financial goal of the Organization's investment policies is to preserve and enhance investment value while supporting current income needs. The goal is to be achieved over time through the combination of prudent investment management in conjunction with an appropriate spending policy.

In order to meet its needs, the investment strategy of the Organization is to emphasize total return, the aggregate return from capital appreciation and dividend and interest income. The primary objective of the Organization shall be the long-term growth of capital while avoiding excessive risk.

Short-term volatility will be tolerated in as much as it is consistent with the volatility of the comparable market benchmarks.

The asset allocation philosophy is full investment as opposed to market timing. This specific allocation approach is chosen to preserve and enhance the real investment value of the endowment fund over time, minimize the overall portfolio's volatility, and to reflect expected long-term consideration such as liquidity probability, expected cash inflows, and risk tolerances.

The Organization's policy for spending from endowment funds is to reinvest earnings from the endowment funds unless it is needed for operating expenditures. The distribution of income remains at the discretion of the Board of Directors with the direction of the budget process.

In accordance with FASB guidance, absent donor stipulations, the earnings on permanently restricted endowment funds have been reclassified to temporarily restricted net assets until these amounts are appropriated for expenditure.

The following represents the change in donor-restricted endowment funds by net asset type for the year ended August 31, 2022:

	Without Donor Restriction	Donor Restrictions		Total
		Temporarily Restricted	Perpetually Restricted	
Endowment net assets				
Beginning of year	\$ -	147,735	445,360	593,095
Release of restriction	-	(70,988)	-	(70,988)
Investment income	-	14,378	-	14,378
End of year	<u>\$ -</u>	<u>91,125</u>	<u>445,360</u>	<u>536,485</u>

The following represents the change in donor-restricted endowment funds by net asset type for the year ended August 31, 2021:

	Without Donor Restriction	Donor Restrictions		Total
		Temporarily Restricted	Perpetually Restricted	
Endowment net assets				
Beginning of year	\$ -	23,521	445,360	468,881
Release of restriction	-	(2,975)	-	(2,975)
Investment income	-	127,189	-	127,189
End of year	<u>\$ -</u>	<u>147,735</u>	<u>445,360</u>	<u>593,095</u>

9. CAPITAL LEASE:

The Organization leases office equipment under capital lease agreements, which expire at various dates through March 2022. The Organization paid \$33,436 and \$34,578 for the years ending August 31, 2022 and 2021, respectively, for rental and lease fees.

The following is a summary of equipment held under capital lease:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 75,621	97,380
Accumulated depreciation	<u>(33,921)</u>	<u>(85,447)</u>
	<u>\$ 41,700</u>	<u>11,933</u>

Future minimum lease payments for the above-mentioned capital lease agreements are as follows:

Year ending August 31	
2023	\$ 11,436
2024	11,437
2025	11,432
2026	9,598
2027	<u>5,310</u>
Total minimum lease payments	49,213
Less amount representing interest(*)	<u>(5,460)</u>
Present value of minimum lease payments	<u>\$ 43,753</u>

(*) Interest rates are 4.86%

10. OPERATING LEASES:

In August 2013, the Organization entered into a five-year lease agreement for the Knox County office located at 110 East Vine Street, Mt. Vernon, Ohio. The terms of the lease call for monthly payments of \$1,800 for the first year and increase 3% each year for the following four years, ending in August 2018. As of September 2018, the lease is continuing on a month to month basis until a new longer-term lease can be agreed on. As of August 31, 2021, the Organization closed the Knox County office.

In 2018, the Organization entered into a four-year lease agreement for the Lawrence County office. In lieu of monthly rent payments, the Organization will pay for leasehold improvements, property taxes, and a portion of certain maintenance costs.

In September 2019, the Organization entered into a three-year lease agreement for the Scioto County office located at 3858 US Highway 23, Portsmouth, Ohio. The terms of the lease call for monthly payments of \$1,875. The lease expired in September 2022 and has been extended through September 2025. The terms of the lease call for monthly payments of \$2,100 in year one and \$2,200 in years two and three.

11. CONCENTRATIONS:

The Organization maintains cash balances at three financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2022 and 2021, respectively, the Organization had \$1,142,376 and \$1,442,311 in deposits that were not insured.

12. DERIVATIVE FINANCIAL INSTRUMENT:

At November 4, 2015, the Organization amended a promissory note of \$1,346,294 of variable interest debt outstanding in order to extend the maturity date and change the interest rate to a floating rate per annum equal to 1.95% in excess of LIBOR (London Interbank Offered Rate). The interest rate is adjusted automatically on the fifteenth day of each calendar month.

The Organization simultaneously entered into an interest rate swap for a notional amount of \$1,346,294 at a fixed rate of 4.15%.

The Organization is using the interest rate swap to manage the interest rate exposure of its variable rate debt. The swap is recorded at fair value, which is the estimated amount that the Organization would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty. Changes in the swap's fair value during the year ended August 31, 2022 and 2021 resulted in unrealized gain of \$99,049 and \$37,100, respectively, which is included in unrestricted change in net assets in the statement of activities. The fair value of the swap was an (asset)/liability of (\$34,212) and \$64,837 as of August 31, 2022 and 2021, respectively.

13. LIQUIDITY

The Organization's goal is to maintain financial assets to meet the ongoing needs of the Organization. As part of its liquidity plan, excess cash is invested in investments.

The following table presents the financial assets available to meet cash needs for general operations within one year of August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,492,882	2,743,216
Accounts receivable	1,378,675	199,759
Investments	2,211,629	2,473,328
Donor restrictions	<u>(578,990)</u>	<u>(647,831)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>5,504,196</u>	<u>4,768,472</u>