EASTER SEALS MIDWEST

FINANCIAL STATEMENTS

JUNE 30, 2022

Contents

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Directors
Easter Seals Midwest
St. Louis, Missouri

Opinion

We have audited the financial statements of Easter Seals Midwest (the Organization), a not-for-profit organization, which comprise the statement of financial position as of June 30, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the results of its operations and 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 (Government Auditing Standards). 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 the Organization 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 the Organization' ability to continue as a going concern for 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 the Organization'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 the Organization'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.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

RubinBrown LLP

October 12, 2022

EASTER SEALS MIDWEST

STATEMENT OF FINANCIAL POSITION

Assets

	June 30, 2022	2021
Current Assets		
Cash and cash equivalents	**$ 18,437,274**	$ 14,318,100
Accounts receivable (net of allowance for uncollectible accounts of $580,640 and $513,655 in 2022 and 2021, respectively)	**7,209,364**	7,972,156
Pledges receivable (Note 1)	**164,521**	93,945
Prepaid expenses	**158,332**	169,939
Total Current Assets	**25,969,491**	22,554,140
Property, Equipment And Leasehold Improvements (Note 4)	**6,318,375**	6,194,429
Other Assets		
Long-term pledges receivable (Note 1)	**6,069**	13,268
Security deposits	**96,147**	96,147
Investments (Note 3)	**27,201,482**	32,412,276
Total Other Assets	**27,303,698**	32,521,691
Total Assets	**$ 59,591,564**	$ 61,270,260

Liabilities And Net Assets

	2022	2021
Current Liabilities		
Current maturities of long-term debt (Note 6)	**$ 427,745**	$ 1,822,448
Accounts payable	**1,898,232**	2,118,305
Accrued salaries and related expenses (Note 13)	**4,171,982**	3,194,502
Deferred revenue	**209,740**	579,910
Accrued expenses and other liabilities	**59,701**	20,129
Total Current Liabilities	**6,767,400**	7,735,294
Long-Term Debt (Note 6)	**4,120,449**	13,135,964
Total Liabilities	**10,887,849**	20,871,258
Net Assets		
Without Donor Restrictions		
Operations	**20,058,496**	7,928,035
Investment in property, equipment and leasehold improvements, net of related debt	**1,770,181**	1,236,017
Board designated - other (Note 1)	**4,590,386**	5,324,709
Board designated endowment (Note 7)	**17,399,705**	20,746,243
Total Without Donor Restrictions	**43,818,768**	35,235,004
With Donor Restrictions (Note 8)	**4,884,947**	5,163,998
Total Net Assets	**48,703,715**	40,399,002
Total Liabilities And Net Assets	**$ 59,591,564**	$ 61,270,260

EASTER SEALS MIDWEST

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	$ 73,019,905	$ —	$ 73,019,905
Provider Relief Fund revenue	627,773	—	627,773
Contributions and grants	537,245	287,525	824,770
Contributed nonfinancial assets (Note 14)	112,055	—	112,055
Special events	728,845	—	728,845
Net assets released from restrictions (Note 8)	287,525	(287,525)	—
Miscellaneous income	109,941	—	109,941
Total Operating Revenues	75,423,289	—	75,423,289
Functional Expenses			
Program services	63,545,979	—	63,545,979
Management and general	8,204,362	—	8,204,362
Special events	208,177	—	208,177
Fund development	631,007	—	631,007
Total Functional Expenses	72,589,525	—	72,589,525
Surplus Of Operating Revenues Over Functional Expenses	2,833,764	—	2,833,764
Other Changes			
Endowment contributions	—	10,000	10,000
Investment loss	(4,273,115)	(289,051)	(4,562,166)
Gain on forgiveness of Paycheck Protection Program loan (Note 6)	10,000,000	—	10,000,000
Gain on sale of property and equipment	23,115	—	23,115
Total Other Changes	5,750,000	(279,051)	5,470,949
Increase (Decrease) In Net Assets	8,583,764	(279,051)	8,304,713
Net Assets - Beginning Of Year	35,235,004	5,163,998	40,399,002
Net Assets - End Of Year	$ 43,818,768	$ 4,884,947	$ 48,703,715

EASTER SEALS MIDWEST

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	$ 65,203,054	$ —	$ 65,203,054
Provider Relief Fund revenue	2,461,443	—	2,461,443
Contributions and grants	1,062,687	279,906	1,342,593
Contributed nonfinancial assets (Note 14)	113,515	—	113,515
Special events	533,596	—	533,596
Net assets released from restrictions (Note 8)	270,681	(270,681)	—
Miscellaneous income	59,024	—	59,024
Total Operating Revenues	69,704,000	9,225	69,713,225
Functional Expenses			
Program services	58,748,238	—	58,748,238
Management and general	7,237,905	—	7,237,905
Special events	72,118	—	72,118
Fund development	660,954	—	660,954
Total Functional Expenses	66,719,215	—	66,719,215
Surplus Of Operating Revenues Over Functional Expenses	2,984,785	9,225	2,994,010
Other Changes			
Endowment contributions	14,800,000	125,000	14,925,000
Investment income	3,170,681	529,768	3,700,449
Other contributions	5,200,000	—	5,200,000
Loss on sale of fixed assets	(9,831)	—	(9,831)
Total Other Changes	23,160,850	654,768	23,815,618
Increase In Net Assets	26,145,635	663,993	26,809,628
Net Assets - Beginning Of Year	9,089,369	4,500,005	13,589,374
Net Assets - End Of Year	$ 35,235,004	$ 5,163,998	$ 40,399,002

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2022

	Program	Management And General	Fund Development	Total Expenses
Salaries	$ 48,798,438	$ 4,951,486	$ 409,738	$ 54,159,662
Payroll taxes	3,667,928	343,944	30,242	4,042,114
Employee benefits	3,725,965	429,072	24,242	4,179,279
Worker's compensation	794,338	97,070	7,999	899,407
Total Salaries And Related Expenses	56,986,669	5,821,572	472,221	63,280,462
Advertising and printing	1,539	1,591	7,012	10,142
Audit and tax services	—	57,000	—	57,000
Auto expense	1,003,602	62,695	—	1,066,297
Bad debt expense	579,267	—	4,000	583,267
Board and volunteer expense	427	3,017	14,138	17,582
Client assistance	922,863	—	—	922,863
Conferences and dues	13,893	207,147	3,357	224,397
Emergency plan expense	10,338	4,499	—	14,837
Employee costs	12,653	238,891	1,176	252,720
Equipment	63,848	79,521	2,029	145,398
Facility costs	213,970	55,554	7,425	276,949
Insurance	129,469	43,980	5,178	178,627
Interest and bank fees	115,087	82,248	31,067	228,402
Legal	—	84,520	—	84,520
Marketing expense	355	89,503	—	89,858
Office supplies	54,500	22,929	2,223	79,652
Outside services	322,687	232,908	1,394	556,989
Postage and shipping	11,315	14,277	7,793	33,385
Program supplies	150,067	35,862	6,936	192,865
Record storage	—	22,512	—	22,512
Rent	848,379	3,101	—	851,480
Software	154,306	707,968	23,351	885,625
Special event expense	9,442	2,500	208,177	220,119
Staff mileage	876,028	6,911	2,147	885,086
Staff training	11,666	3,366	1,052	16,084
Telephone	569,089	71,152	4,619	644,860
Travel and entertainment	26,065	83,311	4,928	114,304
Utilities	132,966	38,275	9,818	181,059
Total Other Direct Expenses	6,233,821	2,255,238	347,820	8,836,879
Total Functional Expenses Before Depreciation And Amortization	63,220,490	8,076,810	820,041	72,117,341
Depreciation And Amortization	325,489	127,552	19,143	472,184
Total Operational Expenses	$ 63,545,979	$ 8,204,362	$ 839,184	$ 72,589,525

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021

	Program	Management And General	Fund Development	Total Expenses
Salaries	$ 42,130,783	$ 4,337,974	$ 384,695	$ 46,853,452
Payroll taxes	3,323,013	311,526	28,999	3,663,538
Employee benefits	4,683,375	472,290	30,074	5,185,739
Worker's compensation	732,189	89,735	7,864	829,788
Total Salaries And Related Expenses	50,869,360	5,211,525	451,632	56,532,517
Accreditation fees	—	52	—	52
Advertising and printing	1,482	1,399	11,937	14,818
Audit and tax services	—	42,261	—	42,261
Auto expense	897,745	10,669	—	908,414
Bad debt expense	1,767,561	—	65,401	1,832,962
Board and volunteer expense	41	2,681	7,711	10,433
Client assistance	1,130,708	—	—	1,130,708
Conferences and dues	24,532	160,980	3,737	189,249
Emergency plan expense	163,430	18,115	—	181,545
Employee costs	14,279	200,789	—	215,068
Equipment	75,927	72,961	1,618	150,506
Facility costs	200,591	47,420	5,578	253,589
Insurance	257,773	85,679	8,622	352,074
Interest and bank fees	112,117	96,132	25,068	233,317
Legal	—	34,973	—	34,973
Marketing expense	563	60,532	26	61,121
Miscellaneous	120	2,787	—	2,907
Office supplies	49,159	24,372	2,228	75,759
Outside services	214,408	192,185	1,647	408,240
Postage and shipping	23,125	13,004	6,142	42,271
Program supplies	133,368	51,690	13,000	198,058
Record storage	—	23,882	—	23,882
Rent	927,206	29,785	—	956,991
Software	52,708	599,392	22,633	674,733
Special event expense	—	—	72,118	72,118
Staff mileage	704,018	3,352	1,426	708,796
Staff training	7,007	574	—	7,581
Telephone	538,456	50,137	3,891	592,484
Travel and entertainment	14,744	32,971	558	48,273
Utilities	119,608	40,054	8,956	168,618
Total Other Direct Expenses	7,430,676	1,898,828	262,297	9,591,801
Total Functional Expenses Before Depreciation And Amortization	58,300,036	7,110,353	713,929	66,124,318
Depreciation And Amortization	448,202	127,552	19,143	594,897
Total Operational Expenses	$ 58,748,238	$ 7,237,905	$ 733,072	$ 66,719,215

EASTER SEALS MIDWEST

STATEMENT OF CASH FLOWS

	For The Years Ended June 30, 2022	2021
Cash Flows From Operating Activities		
Increase in net assets	**$ 8,304,713**	$ 26,809,628
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	**472,184**	594,897
Amortization of debt issuance costs	**5,521**	5,521
Unrealized (gain) loss on investments	**6,680,326**	(3,298,942)
Realized gain on investments	**(1,632,743)**	(250,619)
(Gain) loss on disposal of property and equipment	**(23,115)**	9,831
Loss on uncollectible promises to give	**4,000**	65,401
Contributions restricted for permanent endowment	**(10,000)**	(125,000)
Gain on forgiveness of Paycheck Protection Program loan	**(10,000,000)**	—
Changes in assets and liabilities:		
Accounts receivable	**762,792**	(319,595)
Pledges receivable, nonendowment	**(75,287)**	132,293
Prepaid expenses	**11,607**	(154,221)
Accounts payable	**(220,073)**	726,577
Accrued payroll	**977,480**	9,972
Accrued expenses	**39,572**	(69,367)
Increase (decrease) in deferred revenue	**(370,170)**	579,910
Net Cash Provided By Operating Activities	**4,926,807**	24,716,286
Cash Flows From Investing Activities		
Proceeds from sale of investments	**1,200,105**	59,770,015
Purchases of investments	**(1,036,894)**	(80,670,628)
Purchases of property, equipment and leasehold improvements	**(596,581)**	(357,659)
Proceeds from sale of property, equipment and leasehold improvements	**23,566**	—
Net Cash Used In Investing Activities	**(409,804)**	(21,258,272)
Cash Flows From Financing Activities		
Borrowing on long-term debt	—	10,000,000
Payments on long-term debt	**(415,739)**	(493,844)
Collection of contributions restricted for permanent endowment	**17,910**	129,850
Net Cash Provided By (Used In) Financing Activities	**(397,829)**	9,636,006
Net Increase In Cash And Cash Equivalents	**4,119,174**	13,094,020
Cash And Cash Equivalents - Beginning Of Year	**14,318,100**	1,224,080
Cash And Cash Equivalents - End Of Year	**$ 18,437,274**	$ 14,318,100
Supplemental Disclosure Of Cash Flow Information		
Interest paid	**$ 230,797**	$ 168,106

1. Summary Of Significant Accounting Policies

Financial Statement Presentation

Easter Seals Midwest (the Organization) has adopted the provisions of the Financial Accounting Standards Board (FASB) in regard to financial statements of not-for-profit organizations as discussed under ASC 958-210, *Financial Statements of Not-For-Profit Organizations*. This provision requires the reporting of total assets, liabilities and net assets in a statement of financial position and reporting the change in net assets in a statement of activities. This provision also requires that net assets, revenue, expenses, gains and losses be classified according to two classes of net assets according to donor-imposed restrictions and applicable law: net assets without donor restrictions and net assets with donor restrictions. Explanations of the net asset categories are presented below:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets and contributions not subject to donor-imposed restrictions or stipulations. This includes board designated net assets of $4,590,386 and $5,324,709 at June 30, 2022 and 2021, respectively, that may be used to accelerate the payment of the mortgage on the Westline property in St. Louis. The Board of Directors will oversee the investment of and use of this special fund and will vote annually on any modifications to usage of either the investment earnings or corpus.

Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. In accordance with Missouri state law, absent any specific donor stipulations, earnings on net assets invested in perpetuity are donor restricted until appropriated for use by the Board of Directors. Some donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis Of Accounting

The Organization prepares its financial statements on the accrual basis of accounting.

New Accounting Pronouncement

During 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts- in-kind, include assets (such as land, buildings and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. The adoption of this ASU under the retrospective method did not impact the Organization's financial statements.

Estimates And Assumptions

The Organization uses estimates and assumptions in preparing its 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.

Operating And Non-Operating Activity

Operating results in the statement of activities reflect all transactions except those items associated with contributions received outside of the Organization's ongoing fund development activities, endowment contributions, investment income (loss), gains and losses on sale of property and equipment, gain on forgiveness of Paycheck Protection Program loan, and other miscellaneous items.

Cash And Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents are on deposit with primarily one financial institution in the St. Louis metropolitan area. At June 30, 2022, cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance limit amounted to approximately $18,609,000.

Investments

Investments are reported at fair value. Gains or losses on sales of investments are determined on a specified cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Investments are managed in accordance with a board-approved investment policy by a registered investment firm.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. The Organization provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as support in the period the promises are made. Conditional promises to give, that is, those with a measureable performance or other barrier, are not recognized until the conditions on which they depend have been met. The Organization uses the direct write-off method, which, for the Organization, is not considered to be materially different from the allowance method. The Organization records unconditional promises to give at the full promise amount, which is not deemed to be materially different from the net present value for promises to be received in over one year. Unconditional promises to give that are expected to be received in less than one year are classified as current on the statement of financial position. Unconditional promises to give that are expected to be received in over one year are classified as long-term on the statement of financial position. There were no conditional promises to give as of June 30, 2022 or 2021.

Property And Equipment And Leasehold Improvements

All property, equipment and leasehold improvements with the value of $1,000 or more are capitalized. Property, equipment and leasehold improvements are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method over periods ranging from 3 to 40 years.

Debt Issuance Costs

Debt issuance costs totaling $55,216 consist of fees for obtaining the building loans and are being amortized using the straight-line method over the lives of the loans. Accumulated amortization totaled $18,406 and $12,885 at June 30, 2022 and 2021, respectively. Amortization expense amounted to $5,521 during the years ended June 30, 2022 and 2021, and is included in interest and bank fees in the statement of functional expenses.

Support Without And With Donor Restrictions

Contributions received and unconditional promises to give (pledges receivable) are measured at fair value and are recognized as increases in net assets when received or promised. The Organization reports contributions with donor restrictions if they are received with donor stipulations that limit the use of the donation, or if they are designated as support for future periods.

When a donor restriction expires, i.e., 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. Gifts received with restrictions that are satisfied within the same year are recorded as increases in net assets without donor restrictions. Pledges receivable of $164,521 and $93,945 are unconditional promises to give as of June 30, 2022 and 2021, respectively, and are expected to be received within the next fiscal year. The current pledges receivable include endowment promises to give of $7,029 and $7,740 as of June 30, 2022 and 2021, respectively. Pledges receivable expected to be received in over one year as of June 30, 2022 and 2021 totaled $6,069 and $13,268, respectively. The long term pledges receivable include endowment promises to give of $6,069 and $13,268 as of June 30, 2022 and 2021, respectively.

The Organization reports gifts of land, buildings and equipment as support without donor restrictions 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 support with donor restrictions. 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.

Donated Services

Donated services that meet the criteria for recognition as stated by generally accepted accounting principles (GAAP) are recorded at fair value at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's programs, special events and fundraising events; however, such donated services have not been recognized as contributions in the financial statements since the aforementioned recognition criteria were not met.

Donated Materials

Various materials are donated to the Organization. Donated materials that meet the criteria for recognition under the provisions of accounting for contributions received and contributions made in regard to financial statements of not-for-profit organizations have been recorded at fair value at the date of donation.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Community Living Services

Community Living Services provide homes with on-site support where adults with developmental disabilities, including autism, can live independent and productive lives in the community. The program also provides training and support to people with disabilities to help them acquire valuable skills. Individuals are assisted in living in independent, yet supportive environments, learning various home management skills and developing a social support network.

Employment Services

Employment Services develops employment opportunities for individuals in the community, locates paying positions and provides on-the-job support. Jobs are carefully matched to meet each individual's work preferences, skills and support needs.

Autism Services

The Autism Services division works with individuals with autism, as well as with their families to help them develop communication, social skills and behavior modification. Autism Services customizes its services to meet each individual's and family's need for support.

Home Visiting Program

The Home Visiting Program works with families who have children with and without disabilities 3 years of age and under, to help link them to additional resources in the community, to help build their knowledge and skill base in regards to parenting, and to model appropriate parenting skills. Trained parent educators visit the homes of eligible families and offer a variety of services, which include but are not limited to: group training sessions targeted at various topics dealing with child development, creating healthy families, and networking opportunities for the families; and resources for children in the home, including books, developmentally appropriate toys for their child, and incentives which may include certificates that they may use to purchase items for their children such as toys, books, safety items, safe cribs, etc.

Management And General

Management and general includes the functions necessary to maintain an equitable human resources system; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration and manage the financial and budgetary responsibilities of the Organization.

Fund Development

Fund development provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. It is an important and necessary component of the Organization's ability to offer quality service.

Revenue Recognition

The Organization's revenue is derived primarily from the above-mentioned program services. The Organization has contractual arrangements with various funders to provide program services at negotiated rates for specific services. As such, the performance obligation is the service provided and revenue is recognized in the month the contracted services are rendered. The Organization does not have multiple performance obligations that would require allocation of the transaction price.

Payment terms for the Organization's services vary by funder, though cash is largely collected after services are performed, and the Organization does not have significant financing components.

The opening and closing balances of receivables from contracts with customers for the year ended June 30, 2022 were $7,972,156 and $7,209,364, respectively. The opening and closing balances of receivables from contracts with customers for the year ended June 30, 2021 were $7,652,561 and $7,972,156, respectively.

Forgivable Note Payable

During 2021, the Organization received a $10,000,000 loan that was part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). The Organization considered the PPP loan to be debt, subject to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. The Organization would not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

In accordance with the requirements of the CARES Act, the Organization used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization met the conditions necessary in order for the loan to be forgiven and received approval of this forgiveness from the SBA in March 2022. As such, the Organization recognized forgiveness of PPP loan of $10,000,000 on the statement of activities in 2022.

Expense Allocation

The costs of programs and various supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Payroll and payroll related expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Facility related expenses (such as building operation and maintenance, rent, telephone, and utilities) have been allocated to functional categories based on the use of space in the specific buildings that the programs or supporting activities are housed. Other general expenses (such as depreciation and insurance) are allocated based on a percentage of total payroll of programs and supporting services to the total Organization's expenses. All other direct expenses are based on specific identification and the nature of the expenditures.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, and is, therefore, exempt from federal income taxes on related, exempt income. Therefore, there are no provisions for income taxes reflected in these financial statements.

The Organization's federal and state returns for the years ending June 30, 2021, 2020 and 2019 are subject to examination by taxing authority.

Inter-Organizational Accounts

The Organization accounts for certain program activities as independent functions in its accounting system. Accordingly, inter-organizational expenses, revenue, assets and liabilities have been eliminated within these program activities.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Nature Of The Organization

The Organization is a Missouri not-for-profit organization whose mission is to assist individuals with developmental disabilities, including autism, how to learn, live, work and participate in the community. The Organization is unconditionally committed to assisting these individuals to live and work with self-fulfillment and dignity.

3. Investments

Investments consist of the following as of June 30:

	2022	2021
Cash and cash equivalents	**$ 441,924**	$ 1,175,369
Exchange-traded and closed-end funds	**19,461,136**	23,903,290
Mutual funds		
Bonds	**6,118,290**	6,092,872
Value	**1,180,132**	1,240,745
	$ 27,201,482	$ 32,412,276

Investments are carried at fair value using quoted prices in active markets (Level 1). As of June 30, 2022, the cost of investments exceeded fair value by $2,386,000.

4. Property, Equipment And Leasehold Improvements

Property, equipment, and leasehold improvements consist of:

	2022	2021
Land	**$ 878,000**	$ 878,000
Buildings	**4,983,482**	4,896,157
Leasehold improvements	**609,060**	716,211
Equipment and software	**2,264,195**	3,062,716
Vehicles	**250,518**	247,913
	8,985,255	9,800,997
Less: Accumulated depreciation	**2,666,880**	3,606,568
	$ 6,318,375	$ 6,194,429

Interest amounting to $77,426 has been capitalized at June 30, 2022 and 2021 and is being depreciated over the life of the building.

5. Line Of Credit

The Organization has a $10,000,000 line of credit which bears interest at the Index Rate minus 1.25% with a rate of 3.5% as of June 30, 2022. The line of credit is secured by accounts receivable, deposit accounts, equipment and software, fixtures, and investments, excluding board designated net assets that may be used to accelerate the payment of the mortgage on the Westline property as described in Note 1. At June 30, 2022 and 2021, there was no outstanding balance on the line of credit. The line of credit expires on September 5, 2023.

6. Long-Term Debt

Long-term debt consists of the following:

	2022	2021
Series 2018A building loan - funds advanced to acquire, construct, furnish and equip new office facilities, including the acquisition of land. The maximum principal amount is $4,048,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2029, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of 20 years are required. The balance of principal and accrued interest is payable on February 9, 2029. The interest rate on the loan is 3.72% through February 8, 2026, and 2.25% above the swap rate thereafter. The loan is secured by a First Deed of Trust on the land and facilities acquired.	**$ 3,552,796**	$ 3,704,236
Paycheck Protection Program loan as part of the SBA's Coronavirus relief. The loan totals $10,000,000. The note bears interest at 1.0%, with six months of principal and interest deferred and then combined principal and interest payments of $190,407 through April 2026. The Organization utilized the funds as stipulated by the SBA for specific payroll and other qualifying expenses and received forgiveness in March 2022.	**—**	10,000,000
Series 2018B building loan to acquire, construct, furnish and equip new office facilities, including the acquisition of land, was issued to the Organization in May 2018. The maximum principal amount of the 2018B building loan is $1,952,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2026, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of seven years are required. The balance of principal and accrued interest is payable on February 9, 2026. The interest rate on the loan is 3.68%. The loan is secured by a Second Deed of Trust on the land and facilities acquired.	**1,032,208**	1,296,507
	4,585,004	15,000,743
Less: Current maturities	**427,745**	1,822,448
Less: Debt issuance costs	**36,810**	42,331
	$ 4,120,449	$ 13,135,964

The scheduled maturities of the long-term debt at June 30, 2022 are as follows:

Year	Amount
2023	$ 427,745
2024	443,645
2025	460,951
2026	352,884
2027	179,298
Thereafter	2,720,481
	$ 4,585,004

7. Endowment Funds

The Organization's endowment consists of five individual funds as well as one fund created by the Organization's endowment campaign. The funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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. The donor restricted fund that is perpetual in nature created by the endowment campaign can be utilized to pay for expenses related to the operation of the campaign. There were no such releases made during the years ended June 30, 2022 or 2021.

Interpretation Of Relevant Law

The Board of Directors of the Organization has interpreted the 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 stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds invested in perpetuity (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified as donor-restricted endowment funds invested in perpetuity are classified as donor-restricted endowment funds - unappropriated investment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

At June 30, 2022, the Organization had the following endowment funds:

	2022			
	Without Donor Restrictions	**Unappropriated Investment Earnings**	**Investments In Perpetuity**	**Total**
Donor-restricted endowment funds	$ —	$ 320,487	$ 4,044,893	$ 4,365,380
Board-designated quasi-endowment funds	17,399,705	—	—	17,399,705
	$ 17,399,705	$ 320,487	$ 4,044,893	$ 21,765,085

As of June 30, 2021, the Organization had the following endowment funds:

	2021			
	Without Donor Restrictions	**Unappropriated Investment Earnings**	**Investments In Perpetuity**	**Total**
Donor-restricted endowment funds	$ —	$ 609,538	$ 4,026,983	$ 4,636,521
Board-designated quasi-endowment funds	20,746,243	—	—	20,746,243
	$ 20,746,243	$ 609,538	$ 4,026,983	$ 25,382,764

The changes in the endowment funds for the fiscal years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Endowment Assets - June 30, 2020	$ 3,241,809	$ 79,770	$ 3,897,133	$ 7,218,712
Investment Return				
Interest and dividends	103,480	18,036	—	121,516
Net realized and unrealized gains	2,600,954	511,732	—	3,112,686
Total Investment Return	2,704,434	529,768	—	3,234,202
Contributions	14,800,000	—	129,850	14,929,850
Endowment Assets - June 30, 2021	20,746,243	609,538	4,026,983	25,382,764
Investment Return				
Interest and dividends	305,432	26,809	—	332,241
Net realized and unrealized losses	(3,651,970)	(315,860)	—	(3,967,830)
Total Investment Return	(3,346,538)	(289,051)	—	(3,635,589)
Contributions	—	—	17,910	17,910
Endowment Assets - June 30, 2022	$ 17,399,705	$ 320,487	$ 4,044,893	$ 21,765,085

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for growth in principal and income sufficient to support the endowment's liquidity needs, while simultaneously preserving and, if possible, enhancing the purchasing power of the endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested to achieve the long-term rate of return using broad diversification of assets across asset classes, styles, regions and strategies in accordance with the investment policy. The primary benchmark for the endowment's average rate of return is 7% per year. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization 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.

Spending Policy And How The Investment Objectives Relate To Spending Policy

During 2011, the Organization adopted a policy of appropriating for distribution each year a rate of no more than 5% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions. The Organization's Board did not approve a distribution from the endowment for the years ended June 30, 2022 or 2021. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow on an annual basis. This is consistent with the Organization's objective 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.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include amounts designated by the Board of Directors for specific purposes and reserves as required by the U.S. Department of Housing and Urban Development.

In addition, the Organization's Board of Directors has designated net assets of $17,399,705 and $20,746,243 at June 30, 2022 and 2021, respectively, as endowment, which is to be maintained similarly to donor restricted net assets that are perpetual in nature. Interest and dividends on these designated assets are available for the Organization's use in accordance with its spending policy.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at June 30, 2022 and 2021:

	2022	2021
With Donor Restrictions For Time And Purpose		
Subject to expenditure for specified purpose:		
Learning center (Hess)	**$ 163,982**	$ 163,982
Community living	**15,000**	4,000
Employment	**67,459**	110,000
Loan fund - Edith Wolff	**37,266**	37,266
Timing restrictions, including nonendowment pledges receivable	**220,233**	188,692
Charitable reminder trust	**2,529**	2,529
Donor-restricted endowment funds - unappropriated investment earnings (Note 7)	**320,487**	609,538
	826,956	1,116,007
Endowment		
Donor-restricted endowment pledges receivable (Note 1)	**13,098**	21,008
Donor-restricted endowment funds - investments in perpetuity (Note 7)	**4,044,893**	4,026,983
	4,057,991	4,047,991
	$ 4,884,947	$ 5,163,998

Net assets were released from net assets with donor restrictions as follows:

	2022	2021
Program restrictions	**$ 114,001**	$ —
Timing restrictions	**173,524**	270,681
	$ 287,525	$ 270,681

9. Lease Commitments

The Organization leases office space under noncancellable operating leases. The Organization also leases various office equipment and vehicles. All of these are noncancellable operating leases that have various expiration dates through August 2027. Rent expense is recognized on a straight-line basis over the life of each lease. Total rent expense for the years ended June 30, 2022 and 2021 was $851,480 and $956,991, respectively.

Future minimum lease payments are as follows at June 30, 2022:

Year	**Amount**
2023	$ 453,836
2024	426,810
2025	412,126
2026	389,957
2027	247,007
Thereafter	10,457
	$ 1,940,193

10. Concentrations

Approximately 86% and 83% of the Organization's total operating revenues were received from the Missouri Department of Mental Health for the years ended June 30, 2022 and 2021, respectively.

The majority of the Organization's program revenue is through contractual arrangements with state and local agencies as follows at June 30:

	2022	2021
Missouri Department of Mental Health	**$ 64,664,248**	$ 57,650,263
Productive Living Board for St. Louis County Citizens with Developmental Disabilities	**2,124,367**	2,326,911
Developmental Disabilities Resource Board of St. Charles County	**552,265**	489,036
Missouri Vocational Rehabilitation	**768,869**	787,476

11. Grant Contingencies

The Organization has received grants from the St. Louis Office of Developmental Disability Resources (DDR) which were used to purchase equipment and renovate buildings. According to the terms of the grants, if the Organization disposes of, sells, trades or in any other way alters the ownership of the property, the Organization must reimburse the grantor according to a schedule of declining percentages. The Organization did not dispose of applicable assets in 2022 or 2021 and was not required to pay anything to DDR in 2022 or 2021.

12. Employee Deferral Compensation Plan

The Organization has a 403(b) plan that covers eligible employees with one-year tenure and 1,000 hours or more worked. The plan allows the participants to make contributions to the plan through salary deferrals. The plan also requires the Organization to match 50% of each employee's contributions up to 6% of the employee's annual base compensation, thereby resulting in a maximum matching contribution of 3%. The Organization's contributions to the plan totaled $281,001 and $266,722 for the years ended June 30, 2022 and 2021, respectively.

13. Health Insurance

The Organization has a self-funded health insurance plan and maintains stop-loss insurance. The stop-loss insurance mitigates excessive claim risk and reimburses the Organization for claims that exceed a predetermined amount. The Organization utilizes an escrow account to pay approved medical claims. Daily balance notices are received via email and transfers to the escrow account are made weekly to reimburse the escrow account for claims paid during the week to get the account back to its required balance.

Additionally, the Affordable Care Act requires health insurance to be affordable and provide minimum value to their full-time employees and their dependents, or otherwise make an employer shared responsibility payment to the Internal Revenue Service.

Estimated insurance costs payable, including estimated employer shared responsibility payments, as of June 30, 2022 and 2021, were $1,238,754 and $1,167,661, respectively, and are included in accrued salaries and related expenses in the statement of financial position.

14. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the years ending June 30:

	2022	2021
Auction items	**$ 112,055**	$ 113,515

The Organization receives items to be sold at its annual special events. Contributed auction items are valued at the gross selling prices received. The proceeds from the sale of auction items are used for general purposes of the Organization's operations.

15. Liquidity And Availability Of Resources

Financial assets available for general expenditure over the next 12 months, that is, without donor or other restrictions limiting their use, comprise the following at June 30:

	2022	2021
Cash and cash equivalents	**$ 18,437,274**	$ 14,318,100
Accounts receivable	**7,209,364**	7,972,156
Pledges receivable	**157,492**	86,205
Investments	**23,156,589**	28,385,293
	$ 48,960,719	$ 50,761,754

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment returns. The Organization has various sources of liquidity available, including cash and cash equivalents, lines of credit, and board designated spending plan from investment returns.

The board designated endowment is subject to an annual spending policy of no more than 6% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions, as stated in Note 7.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities of providing social service programs to individuals with intellectual and developmental disabilities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

16. Contingencies

The Organization is subject to legal claims arising out of the normal course of conducting its operations. Management does not expect that these matters will have a material adverse effect on the consolidated financial statements of the Organization.

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

Independent Auditors' Report On Supplementary Information

Board of Directors
Easter Seals Midwest
St. Louis, Missouri

We have audited the financial statements of Easter Seals Midwest as of and for the years ended June 30, 2022 and 2021, and have issued our report thereon dated October 12, 2022 on the financial statements which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses – Developmental Disabilities Resource Board of St. Charles County is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Easter Seals Midwest's 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 other 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 Expenses – Developmental Disabilities Resource Board of St. Charles County is fairly stated, in all material respects, in relation to the financial statements as a whole.

RubinBrown LLP

October 12, 2022

EASTER SEALS MIDWEST

SCHEDULE OF EXPENSES - DEVELOPMENTAL DISABILITIES RESOURCE BOARD OF ST. CHARLES COUNTY
For The Year Ended June 30, 2022

	ISLA	Employment Retention	Employment Access	Direct Support Professional Initiative	Summer Teen Employment	Education & Outreach
Revenue	$ 128,026	$ 107,184	$ 51,650	$ 41,106	$ 240,032	$ 4,538
Expenses						
Compensation:						
Salaries	93,655	64,386	27,127	57,314	63,822	3,095
Employee benefits	22,768	17,716	6,992	10,699	8,169	401
Total Compensation	116,423	82,102	34,119	68,013	71,991	3,496
Non-personnel expenses:						
Program supplies	25	—	100	—	—	5
Office supplies	49	70	70	—	35	2
Software	1,728	1,399	1,722	—	1,076	5
Facility	6,572	6,517	6,307	—	5,737	194
Communication	2,154	1,638	1,332	—	865	36
Profession services	70	23	11	—	133,920	53
Travel	5,666	3,804	337	—	—	11
Client travel	—	—	—	—	13,800	—
Equipment	479	406	406	—	406	17
Client assistance	3	—	—	—	—	10
Bad debt	41	—	—	—	—	—
Total Direct Costs	133,210	95,959	44,404	68,013	227,830	3,829
Management and general allocation	16,989	12,162	5,872	8,071	13,171	279
Total Expenses	150,199	108,121	50,276	76,084	241,001	4,108
Excess (Deficiency) Of Program Revenue Over Expenses	$ (22,173)	$ (937)	$ 1,374	$ (34,978)	$ (969)	$ 430