

EASTER SEALS SERVING DC | MD | VA, INC.

**AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED AUGUST 31, 2023 AND 2022

Easter Seals Serving DC | MD | VA, Inc.

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Independent Auditor's Report

To the Board of Directors
Easter Seals Serving DC | MD | VA, Inc.
Silver Spring, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Easter Seals Serving DC | MD | VA, Inc.** (a nonprofit organization), which comprise the Statements of Financial Position as of August 31, 2023 and 2022, and the related Statements of Activities and Changes in Net Assets, 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 **Easter Seals Serving DC | MD | VA, Inc.** as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Easter Seals Serving DC | MD | VA, 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 opinions.

Adoption of Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842)

As discussed in Note 1 to the financial statements, **Easter Seals Serving DC | MD | VA, Inc.** changed its method of accounting for leases due to the adoption of Topic 842 as of September 1, 2022. Our opinion is not modified with respect to this matter.

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.

Independent Auditor's Report (Continued)

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 **Easter Seals Serving DC | MD | VA, Inc.**'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Easter Seals Serving DC | MD | VA, 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 **Easter Seals Serving DC | MD | VA, 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.

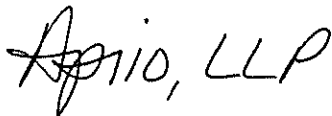
Independent Auditor's Report (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2024, on our consideration of **Easter Seals Serving DC | MD | VA, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **Easter Seals Serving DC | MD | VA, Inc.**'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Easter Seals Serving DC | MD | VA, Inc.**'s internal control over financial reporting and compliance.



Rockville, Maryland
February 2, 2024

Easter Seals Serving DC | MD | VA, Inc.

Statements of Financial Position

<i>August 31,</i>	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 3,921,680	\$ 6,569,418
Accounts receivable, net	765,574	1,311,990
Contributions receivable, net	2,528,785	3,072,766
Prepaid expenses	83,977	163,442
Total current assets	7,300,016	11,117,616
Property and equipment, net	24,061,283	22,303,499
Other assets		
Contributions receivable, net of current portion	886,931	177,604
Investments	8,611,373	7,922,930
Deposit and other assets	201,230	201,800
Interest rate swap asset	268,856	120,871
Right of use assets - operating leases	8,725,871	-
Right of use asset - finance lease	93,409	-
Total other assets	18,787,670	8,423,205
Total assets	\$ 50,148,969	\$ 41,844,320

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statements of Financial Position

<i>August 31,</i>	2023	2022
Liabilities and Net Assets		
Current liabilities		
Long-term debt, current portion	\$ 385,920	\$ 373,116
Accounts payable and accrued expenses	800,931	1,000,449
Accrued salaries	308,893	788,654
Accrued vacation	251,528	237,345
Refundable advances	34,252	58,107
Deferred revenue	403,089	352,667
Lease liability - operating leases, current portion	701,592	-
Lease liability - finance lease, current portion	19,838	-
Total current liabilities	2,906,043	2,810,338
Long-term debt, net of current portion	7,456,868	7,843,637
Less: bond issuance costs, net	(230,172)	(262,922)
Total long-term debt, net of bond issuance costs	7,226,696	7,580,715
Lease liability - operating leases, net of current portion	8,305,351	-
Lease liability - finance lease, net of current portion	73,571	-
Deferred rent	-	214,154
Total long-term liabilities	15,605,618	7,794,869
Total liabilities	18,511,661	10,605,207
Net Assets		
Without donor restrictions		
Undesignated	16,316,983	16,637,390
Board designated	7,295,597	6,520,791
Total net assets without donor restrictions	23,612,580	23,158,181
With donor restrictions	8,024,728	8,080,932
Total net assets	31,637,308	31,239,113
Total liabilities and net assets	\$ 50,148,969	\$ 41,844,320

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended August 31, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue and support			
Program service fees	\$ 8,309,823	\$ -	\$ 8,309,823
Government contracts	1,831,890	-	1,831,890
Contributions:			
Government grants	10,885,666	-	10,885,666
Individual, corporate, and bequest gifts	3,928,744	3,131,743	7,060,487
Special events income	1,307,705	-	1,307,705
Less direct costs	(497,026)	-	(497,026)
Net special events	810,679	-	810,679
Total	25,766,802	3,131,743	28,898,545
Other:			
In-kind donations	206,748	-	206,748
Other income	294,134	-	294,134
Net assets released from restrictions	3,204,600	(3,204,600)	-
Total other revenue	3,705,482	(3,204,600)	500,882
Total operating revenue and support	29,472,284	(72,857)	29,399,427
Operating expenses			
Program services:			
Community health	22,990,159	-	22,990,159
Total program services	22,990,159	-	22,990,159
Supporting activities:			
Management and general	5,387,000	-	5,387,000
Fundraising	1,466,192	-	1,466,192
Total supporting activities	6,853,192	-	6,853,192
Total operating expenses	29,843,351	-	29,843,351
Change in net assets before non-operating activities	(371,067)	(72,857)	(443,924)
Non-operating activities			
Investment return	677,481	16,653	694,134
Gain on interest rate swap	147,985	-	147,985
Total non-operating activities	825,466	16,653	842,119
Change in net assets	454,399	(56,204)	398,195
Net assets, beginning of year	23,158,181	8,080,932	31,239,113
Net assets, end of year	\$ 23,612,580	\$ 8,024,728	\$ 31,637,308

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statement of Activities and Changes in Net Assets

<i>Year Ended August 31, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Program revenue and support			
Program service fees	\$ 7,497,836	\$ -	\$ 7,497,836
Government contracts	1,623,102	-	1,623,102
Contributions:			
Government grants	11,739,099	-	11,739,099
Individual, corporate, and bequest gifts	2,841,530	6,856,428	9,697,958
Special events income	915,016	-	915,016
Less direct costs	(296,340)	-	(296,340)
Net special events	618,676	-	618,676
Total	24,320,243	6,856,428	31,176,671
Other:			
In-kind donations	48,000	-	48,000
Other income	132,400	-	132,400
Net assets released from restrictions	3,541,139	(3,541,139)	-
Total other revenue	3,721,539	(3,541,139)	180,400
Total operating revenue and support	28,041,782	3,315,289	31,357,071
Operating expenses			
Program services:			
Community health	19,742,703	-	19,742,703
Public health education	628,193	-	628,193
Total program services	20,370,896	-	20,370,896
Supporting activities:			
Management and general	4,475,303	-	4,475,303
Fundraising	1,110,555	-	1,110,555
Total supporting activities	5,585,858	-	5,585,858
Total operating expenses	25,956,754	-	25,956,754
Change in net assets before non-operating activities	2,085,028	3,315,289	5,400,317
Non-operating activities			
Investment return	(808,241)	(16,653)	(824,894)
Gain on interest rate swap	499,994	-	499,994
Total non-operating activities	(308,247)	(16,653)	(324,900)
Change in net assets	1,776,781	3,298,636	5,075,417
Net assets, beginning of year	21,381,400	4,782,296	26,163,696
Net assets, end of year	\$ 23,158,181	\$ 8,080,932	\$ 31,239,113

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statement of Functional Expenses

	Community Health	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Salaries	\$ 13,691,603	\$ 13,691,603	\$ 2,800,449	\$ 724,731	\$ 3,525,180	\$ 17,216,783
Fringe benefits	2,367,835	2,367,835	598,605	157,639	756,244	3,124,079
Total salaries and benefits	16,059,438	16,059,438	3,399,054	882,370	4,281,424	20,340,862
Bad debts	-	-	230,968	-	230,968	230,968
Bank charges	14,673	14,673	60,826	-	60,826	75,499
Contract labor	343,883	343,883	1,440	160	1,600	345,483
Depreciation and amortization	1,088,020	1,088,020	47,901	-	47,901	1,135,921
Dues	13,454	13,454	93,671	6,160	99,831	113,285
Equipment	118,896	118,896	30,085	4,735	34,820	153,716
Event expenses	1,427	1,427	3,159	456,077	459,236	460,663
Insurance	2,528	2,528	198,008	-	198,008	200,536
Interest	265,294	265,294	38,446	-	38,446	303,740
MIS software expenses	156,519	156,519	182,218	33,336	215,554	372,073
Occupancy	1,664,795	1,664,795	335,416	227,699	563,115	2,227,910
Other expenses	77,866	77,866	57,278	23,507	80,785	158,651
Postage and shipping	4,152	4,152	2,350	8,175	10,525	14,677
Printing	10,810	10,810	3,282	39,298	42,580	53,390
Professional services	1,117,718	1,117,718	541,997	269,578	811,575	1,929,293
Recruitment	231,640	231,640	127,090	5,646	132,736	364,376
Staff development and travel	204,366	204,366	10,123	5,864	15,987	220,353
Supplies	1,355,858	1,355,858	4,311	600	4,911	1,360,769
Taxes and licenses	77,671	77,671	1,632	13	1,645	79,316
Telephone	109,779	109,779	17,745	-	17,745	127,524
Vehicle costs	71,372	71,372	-	-	-	71,372
Total expenses	22,990,159	22,990,159	5,387,000	1,963,218	7,350,218	30,340,377
Less: direct donor benefits	-	-	-	(497,026)	(497,026)	(497,026)
Total expenses, net of direct donor benefits	\$ 22,990,159	\$ 22,990,159	\$ 5,387,000	\$ 1,466,192	\$ 6,853,192	\$ 29,843,351

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statement of Functional Expenses

Year Ended August 31, 2022	Community Health	Public Health Education	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Salaries	\$ 10,863,490	\$ 517,044	\$ 11,380,534	\$ 2,166,067	\$ 656,796	\$ 2,822,863	\$ 14,203,397
Fringe benefits	1,704,690	95,149	1,799,839	445,002	125,582	570,584	2,370,423
Total salaries and benefits	12,568,180	612,193	13,180,373	2,611,069	782,378	3,393,447	16,573,820
Bad debts	-	-	-	233,814	-	233,814	233,814
Bank charges	8,531	-	8,531	18,076	5,005	23,081	31,612
Contract labor	487,410	-	487,410	16,446	8,333	24,779	512,189
Depreciation and amortization	991,820	-	991,820	47,312	-	47,312	1,039,132
Dues	10,310	-	10,310	94,752	2,230	96,982	107,292
Equipment	199,008	-	199,008	42,902	2,788	45,690	244,698
Event expenses	749	-	749	-	303,649	303,649	304,398
Insurance	2,244	-	2,244	181,368	-	181,368	183,612
Interest	254,916	-	254,916	38,783	-	38,783	293,699
MIS software expenses	163,515	-	163,515	127,286	34,653	161,939	325,454
Occupancy	1,633,015	-	1,633,015	366,042	14,413	380,455	2,013,470
Other expenses	127,916	-	127,916	25,222	23,624	48,846	176,762
Postage and shipping	3,519	-	3,519	1,737	3,435	5,172	8,691
Printing	11,408	-	11,408	9,219	41,072	50,291	61,699
Professional services	1,296,227	16,000	1,312,227	496,302	176,311	672,613	1,984,840
Recruitment	149,236	-	149,236	107,490	4,242	111,732	260,968
Staff development and travel	159,578	-	159,578	17,364	2,880	20,244	179,822
Supplies	1,091,368	-	1,091,368	3,383	1,387	4,770	1,096,138
Taxes and licenses	137,384	-	137,384	8,267	397	8,664	146,048
Telephone	100,486	-	100,486	28,469	98	28,567	129,053
Vehicle costs	345,883	-	345,883	-	-	-	345,883
Total expenses	19,742,703	628,193	20,370,896	4,475,303	1,406,895	5,882,198	26,253,094
Less: direct donor benefits	-	-	-	-	(296,340)	(296,340)	(296,340)
Total expenses, net of direct donor benefits	\$ 19,742,703	\$ 628,193	\$ 20,370,896	\$ 4,475,303	\$ 1,110,555	\$ 5,585,858	\$ 25,956,754

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statements of Cash Flows

<i>Years Ended August 31,</i>	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 398,195	\$ 5,075,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of PPP loan	-	(2,000,000)
Depreciation and amortization	1,135,921	1,039,132
Amortization of bond issuance costs	32,750	32,750
Net realized and unrealized (gain) loss on investments	(507,547)	885,516
Change in discount on contribution receivables	12,316	-
Gain on interest rate swap	(147,985)	(499,994)
Change in allowance for doubtful accounts	55,475	(50,832)
Loss on disposal of property and equipment	7,612	-
Contributed property and equipment	(206,748)	(48,000)
Changes in assets and liabilities:		
(Increase) decrease in		
Accounts receivable and contributions receivable	313,279	(627,701)
Prepaid expenses, deposits and other assets	80,035	(78,116)
Right of use assets - operating leases	697,720	-
Increase (decrease) in:		
Accounts payable and accrued expenses, accrued salaries, and accrued vacation	(665,096)	333,187
Refundable advances	(23,855)	(195,032)
Deposits	50,422	61,321
Deferred rent	-	25,593
Lease liability - operating leases	(630,802)	-
Net cash provided by operating activities	601,692	3,953,241
Cash flows from investing activities		
Purchase of property and equipment	(2,683,007)	(12,000)
Purchase of investments	(2,942,266)	(4,337,899)
Proceeds from sale of investments	2,761,370	3,029,167
Net cash used in investing activities	(2,863,903)	(1,320,732)
Cash flows from financing activities		
Principal payments on long-term debt	(373,965)	(361,638)
Principal payments on finance lease	(11,562)	-
Net cash used in financing activities	(385,527)	(361,638)
Net change in cash and cash equivalents	(2,647,738)	2,270,871
Cash and cash equivalents, beginning of year	6,569,418	4,298,547
Cash and cash equivalents, end of year	\$ 3,921,680	\$ 6,569,418

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Statements of Cash Flows (continued)

<i>Years Ended August 31,</i>	2023	2022
Supplemental disclosures		
Interest paid	\$ 232,544	\$ 254,916
Noncash investing and financing transactions:		
Contributed property and equipment	\$ 206,748	\$ 48,000
Forgiveness of PPP loan	\$ -	\$ 2,000,000
Recognition of right-of-use assets - operating leases	\$ 4,718,045	\$ -
Recognition of lease liability - operating leases	\$ (4,718,045)	\$ -
Recognition of right-of-use assets - finance lease	\$ 104,971	\$ -
Recognition of lease liability - finance lease	\$ (104,971)	\$ -

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

1. **Organization and significant accounting policies** **Organization:** Easter Seals Serving DC | MD | VA, Inc. (Easter Seals or the Organization) is a not-for-profit organization providing educational and therapeutic services to children and adults with disabilities and special needs and their families in the District of Columbia and portions of Maryland, Virginia, and West Virginia. Services provided include the following:

Easter Seals' Adult & Senior Medical Day Services provide a cost-effective long-term care alternative to institutionalization for adults 18 years of age and older, and seniors with developmental, intellectual or physical disabilities or special needs. Services help to improve the quality of life through the effective management of chronic conditions, cognitive and physical stimulation, and clinical oversight.

Easter Seals' Child Development Centers enable young children to reach their full potential when they reach school age by providing high quality inclusive early education and intervention programs for children ages six weeks through prekindergarten with and without disabilities. Programs provided include early care and education, early intervention, and intergenerational activities to ensure the highest standards of health, safety and early childhood education.

Easter Seals' Military and Veterans Programs assist active duty military, wounded warriors, veterans and their families to overcome barriers and transition to civilian life by addressing their unique physical and mental health needs. Current service offerings include veterans employment programs, family respite, Little Warriors child care, medical day services to veterans and wounded warriors, and mental and behavioral health services.

Easter Seals' Respite Services prevents caregiver burnout and keeps families whole by providing high-quality respite care to families that have at least one child diagnosed with highly specialized medical or educational challenges. The program includes children with disabilities or special needs and their siblings as well as the children of military personnel, wounded warriors, and veterans. This break from "constant" and stressful caregiving is provided in homes or in-center.

Easter Seals' Therapy Services Program provides comprehensive therapy services to children. The program offers individualized occupational, physical, cognitive and speech language therapy for children in their child development center.

Easter Seals' Early Head Start and Head Start Programs promote school readiness and are designed to help break the cycle of poverty by meeting children's emotional, social, health, nutritional and psychological needs. Children of low-income families in Prince George's County, Maryland are provided with Early Head Start (0-3) and Head Start (3-5) programs at no-cost; in the District of Columbia, an Early Head Start program is offered at no charge to participants.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Basis of accounting: The Organization's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation: Under the financial reporting standards for not-for-profit organizations, net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, include undesignated net assets available for general operations and board designated, which consists of net assets without donor restrictions that are designated by the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations as to time or purpose of use. Some stipulations are met by actions of the Organization, some are met by the passage of time and some must be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction expires or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Cash and cash equivalents: Cash and cash equivalents include all monies in banks and highly liquid investments with original maturity dates of ninety days or less. The Organization maintains cash balances which may, at times, exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Financial risk: The Organization maintains cash with two financial institutions which, at times, may exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 per depositor per financial institution. At August 31, 2023 and 2022, the Organization's cash balances held at these banks exceeded the insured limits by approximately \$3,423,000 and \$6,318,000, respectively. The Organization has not experienced any losses in such accounts through the date of this report. The Organization believes it is not exposed to any significant financial risk on cash.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Accounts receivable: Accounts receivable are due from third parties and private payments from individuals, and include amounts due under Federal contracts. The allowance for doubtful accounts is based on management's estimates of the individuals' ability or customers' abilities to pay their accounts, analysis of delinquent accounts, payment histories of the accounts and management's judgment with respect to current economic conditions. In the opinion of management, the allowance for doubtful accounts is set at a sufficient level to respond to normal business conditions as well as unforeseen circumstances. Management increases or decreases the reserve based on factors that arise during the year or anticipated events. The allowance is determined by periodic reviews and was \$246,747 and \$191,272 as of August 31, 2023 and 2022, respectively.

Contributions receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on promises to give are computed using a discount rate of 2-3% as of August 31, 2023 and 2022. Amortization of the discount is included in contribution revenue. The allowance for doubtful accounts is based on management's estimates of the analysis of delinquent accounts, payment histories of the accounts and management's judgment with respect to current economic conditions. In the opinion of management, the allowance for doubtful accounts is set at a sufficient level to respond to normal business conditions as well as unforeseen circumstances. Management increases or decreases the allowance based on factors that arise during the year or anticipated events. The allowance is determined by periodic reviews and was \$6,000 as of August 31, 2023 and 2022.

Investments: Investments are recorded at cost if purchased, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Purchases and sales of investments are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the Organization's gains and losses on investments bought and sold as well as held during the year.

The Organization values certain investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;

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Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property and equipment: Property and equipment acquisitions are capitalized and carried at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Useful lives range from 3 to 39 years. The Organization capitalizes all property and equipment purchased with a cost of \$5,000 or more. Construction in progress is not depreciated until completed and placed in service. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies the net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets: The Organization periodically evaluates the carrying value of long-lived assets, including, but not limited to, property and equipment, and other assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such an asset are separately identifiable and are less than its carrying value. In that event, a loss is recognized to the extent that the carrying value exceeds the fair value of the long-lived asset. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. At August 31, 2023 and 2022, management does not believe an impairment adjustment is required.

Bond issuance costs: Bond issuance costs related to the Inter-Generational Center of \$519,288 and bond issuance costs related to the Child Development Center in Northern Virginia of \$157,500 are amortized over the life of the bond using the straight-line method which approximates the effective interest rate method. Unamortized bond financing costs are reported with bonds payable. Accumulated amortization on these deferred financing costs as of August 31, 2023 and 2022 was \$446,616 and \$413,866, respectively. Amortization expense for each of the years ended August 31, 2023 and 2022 was \$32,750.

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Leases: Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are disclosed as right-of-use assets – operating leases and the related liabilities are included in lease liability – operating leases in the Statements of Financial Position. The ROU assets resulting from finance leases are disclosed as right-of-use assets – finance lease and the related liabilities are included in lease liability – finance lease in the Statements of Financial Position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the risk-free rate. Operating lease cost is recognized on a straight-line basis over the lease term as occupancy in the accompanying Statements of Functional Expenses. Lease and non-lease components of lease agreements are accounted for as a single component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization determines if an arrangement is a lease at inception. All leases are recorded on the Statements of Financial Position except for leases with an initial term of 12 months or less for which the Organization made the short-term lease election.

Key person life insurance policy: The Organization holds an insurance policy insuring the life of a former President of the Organization in the amount of \$1,000,000. The Organization is the owner and the beneficiary of the policy. Included in deposits and other assets on the Statements of Financial Position is the cash surrender value of \$126,797 as of August 31, 2023 and 2022, respectively.

Derivative instruments: The Organization follows the accounting and reporting standards for derivative instruments and hedging activities, which require that entities report all derivatives as either assets or liabilities in the Statements of Financial Position, and measure those instruments at fair value. The change in the derivative's value is reported as a gain or loss in the Statements of Activities and Changes in Net Assets. The Organization holds an interest rate swap which is a common derivative used by not-for-profit organizations to manage interest rate risk.

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Revenue recognition: Easter Seals recognizes revenue in accordance with Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The five-step model is outlined below:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Accordingly, the following revenue streams are within the scope of ASC 606:

Program service fees: Fees for services are the Organization's primary exchange transaction revenues and consist of revenues for various care services performed by Easter Seals and staffing placement fees.

Care services (private pay and Medicaid) - The Organization provides various care services depending on the needs such as day care, long-term care, respite services, therapy services, and meals services, to participants enrolled in the Organization's care services programs in exchange for a predetermined fee. The transaction price is fixed and the Organization generally bills the participants and third-party payors on a monthly basis several days after the services are performed. These services generally result in a single performance obligation. Revenue for performance obligations is satisfied over time based the number of days of service. Each day of service is associated with a predetermined rate. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the agreement. Revenue is recognized net of internal discounts or price concessions totaling \$171,995 and \$153,541 for the years ending August 31, 2023 and 2022, respectively. These discounts and concessions are generally based on financial needs for certain groups of customers.

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Staff placement fees (temporary to permanent positions) - The Organization acts as a staffing agency placing veterans enrolled in temporary to, potentially, permanent employment positions with third party organizations. These services generally result in a single performance obligation. Revenue is recognized over the time period of temporary employment on a ratable, time-elapsed basis until permanent placement occurs at which time, an additional placement fee is earned. The transaction price during temporary employment is a fixed hourly rate, while the permanent placement fee is based on a percentage of the placed employee's annual wages. Invoices are billed on a monthly basis.

Government contracts: The Organization is the recipient of various fixed price government contracts. These types of contracts generally each have one performance obligation. Revenue is recognized over time as the related services are provided. The transaction price is fixed. The Organization uses an input method based on labor hours. Invoices are billed on a monthly basis.

Other revenue: Other revenue is primarily made up of one-time counseling fees, consultation fees, and other miscellaneous revenues. These types of contracts generally have each one performance obligation and are recognized at a point in time when the related event takes place.

The following represents the Organization's exchange transaction revenue disaggregated by timing of the satisfaction of performance obligations for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Revenue recognized over time		
Care services	\$ 5,575,858	\$ 4,899,961
Staff placement services	2,733,965	2,597,875
Government contracts	1,831,890	1,623,102
Total exchange transaction revenue recognized over time	10,141,713	9,120,938
Revenue recognized at point in time		
Other revenue	294,134	132,400
Total exchange transaction revenue	\$ 10,435,847	\$ 9,253,338

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The following revenue streams are outside the scope of ASC 606:

Contributions: Contributions are recognized when unconditionally promised or received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at August 31, 2023 and 2022, the Organization received cost-reimbursable grants approximating \$8,475,090 and \$6,168,737, respectively, from government agencies that have not been recognized or recorded because qualifying expenditures have not been incurred.

As of August 31, 2023 and 2022, other payments received in advance relating to conditional contributions which have not yet been recognized totaled \$34,252 and \$58,107, respectively.

Special events income: Special events income consists of contributions received, net of related direct costs, in connection with special events and is recognized when the event takes place.

In-kind donations: In-kind donations are recorded at their fair market value as of the date of donation. During the year ended August 31, 2023, the Organization's in-kind donations consisted of two vehicles with a combined fair value of \$258,436. The Organization was required to pay \$51,688 against the fair value of the vehicles. The remaining portion of \$206,748 was recorded as in-kind donations. During the year ended August 31, 2022, in-kind donations consisted of one vehicle with a fair value of \$60,000. The Organization was required to pay \$12,000 against the fair value of the vehicle. The remaining portion of \$48,000 was recorded as in-kind donations in the accompanying Statement of Activities and Changes in Net Assets.

Contract balances: Contract balances include accounts receivable which are billed and unbilled for amounts related to services provided to customers. Contract liabilities include amounts paid by customers for which services have not yet been provided and are included in deferred revenue. The balances of accounts receivable (net of allowance of \$182,000) and deferred revenue as of September 1, 2021 totaled \$241,580 and \$291,346, respectively.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries, fringe benefits, depreciation and amortization, insurance, recruitment, and telephone expenses are allocated on the basis of time and effort. Occupancy expenses are allocated on the basis of estimates of square footage.

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Tax status: The Organization is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements. For the years ended August 31, 2023 and 2022, the Organization had no unrelated business income.

Uncertainty in income taxes: The Organization evaluates uncertainty in income tax positions based on a more-likely-than-not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of August 31, 2023 and 2022, there are no accruals for uncertain tax positions. If applicable, the Organization records interest and penalties as a component of income tax expense. Tax years from 2020 through the current year remain open for examination by tax authorities.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that could affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Recently adopted accounting pronouncements: The Organization adopted Accounting Standards Codification (ASC) 842, *Leases* (ASC 842) effective September 1, 2022, using the modified retrospective alternative method. This standard requires lessees to recognize leases on the Statement of Financial Position as ROU assets and lease liabilities based on the value of the discounted future lease payments. In adopting ASC 842, the Organization elected to use the practical expedient package, which includes not reevaluating if a contract is or contains a lease, not reevaluating the classification of a lease, and not reevaluating initial direct costs. As a result of implementing ASC 842, the Organization recognized right of use assets – operating leases and lease liabilities – operating leases of \$4,705,546 and \$4,919,669, respectively, and derecognized deferred rent of \$214,154 in its Statement of Financial Position as of September 1, 2022. The adoption did not result in a significant effect on amounts reported in the Statements of Activities and Changes in Net Assets and Cash Flows for the year ended August 31, 2023. No cumulative-effect adjustments were required.

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The Organization adopted Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04) which provides temporary optional expedients that allow an organization not to apply certain U.S. GAAP for contracts that have or will be modified due to reference rate reform and are within the scope of specified topics. The Organization has also adopted ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* (ASU 2022-06) which extended the deadline and expands the scope of guidance in Topic 848 so that organizations can apply the temporary optional expedients through December 31, 2024. Under ASU 2020-04, an organization may elect to consider a contract modification that is the result of a change in the referenced interest rate, as “not substantial”, therefore a continuation of the existing contract and prospectively adjust the effective interest rate. The guidance was applied prospectively. The adoption of these updates did not have a material impact on financial statements. The referenced rate on one of the bonds was changed from LIBOR to Daily Simple SOFR.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through February 2, 2024, which is the date the financial statements were available to be issued.

2. Liquidity and availability of resources

The following represents the Organization’s financial assets at August 31:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 3,921,680	\$ 6,569,418
Accounts receivable, net	765,574	1,311,990
Contributions receivable, net	3,415,716	3,250,370
Investments	8,611,373	7,922,930
Total resources available	16,714,343	19,054,708
Less amounts not available to be used within one year:		
Donor restrictions:		
Temporary and purpose restrictions	(7,856,354)	(7,929,211)
Permanent restrictions	(168,374)	(151,721)
Board designated net assets	(7,295,597)	(6,520,791)
Total	(15,320,325)	(14,601,723)
Financial assets available to meet general expenditures within a year	\$ 1,394,018	\$ 4,452,985

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The Organization's goal is to maintain financial assets to meet at least 60 days of normal operating expenses (approximately \$4,000,000). The Organization's operating expenses consist of program expenses, general and administrative expenses, and fundraising expenses. As part of its liquidity plan, excess cash may be invested in financial securities. With board resolution, board designated funds can be drawn upon to meet any unanticipated requirements that may arise during the year.

3. Investments Investments consist of the following at August 31:

	2023	2022
Money market account	\$ 1,610,882	\$ 729,458
Domestic equity securities	4,721,082	4,883,586
International equity securities	496,213	391,950
Exchange traded funds	1,156,463	1,301,983
Single premium deferred annuity (SPDA)	626,733	615,953
Total investments	\$ 8,611,373	\$ 7,922,930

4. Fair value The fair value of the financial instruments and investments is as follows:

		Fair Value Measurements Using		
August 31, 2023	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Interest rate swap asset	\$ 268,856	\$ -	\$ 268,856	
Investments:				
Domestic equity securities	\$ 4,721,082	\$ 4,721,082	\$ -	
International equity securities	496,213	496,213	-	
Exchange traded funds	1,156,463	1,156,463	-	
Single premium deferred annuity	626,733	-	626,733	
Total investments at fair value	7,000,491	\$ 6,373,758	\$ 626,733	
Money market account valued at cost	1,610,882			
Total investment portfolio	\$ 8,611,373			

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August 31, 2022	Total	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Interest rate swap asset	\$ 120,871	\$ -	\$ 120,871
Investments:			
Domestic equity securities	\$ 4,883,586	\$ 4,883,586	\$ -
International equity securities	391,950	391,950	-
Exchange traded funds	1,301,983	1,301,983	-
Single premium deferred annuity	615,953	-	615,953
Total investments at fair value	7,193,472	\$ 6,577,519	\$ 615,953
Money market account valued at cost	729,458		
Total investment portfolio	\$ 7,922,930		

Level 2 values for the interest rate swap were developed using inputs including current interest rates and LIBOR forward rates. The fair value of the interest rate swap is determined as an estimated net present value of the difference between periodic cash flows using current market interest rates and the rates to be incurred under the swap agreements for the same payment maturities. Level 2 values for the SPDA are derived using inputs from the related contracts and stated interest rates.

5. Contributions receivable

The Organization is the recipient of unconditional promises to give or contributions receivable, which are expected to be received as follows as of August 31, 2023 and 2022:

	2023	2022
Contributions receivable expected in:		
Less than one year	\$ 2,528,785	\$ 3,072,766
One to five years	910,790	189,147
Total contributions receivable	3,439,575	3,261,913
Less: discount to present value	(17,859)	(5,543)
Less: allowance on doubtful accounts	(6,000)	(6,000)
Total contributions receivable, net	3,415,716	3,250,370
Less: current portion	(2,528,785)	(3,072,766)
Long-term contributions receivable, net	\$ 886,931	\$ 177,604

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- 6. Property and equipment** A summary of property and equipment as of August 31 is as follows:

	2023	2022
Land	\$ 1,264,789	\$ 1,264,789
Building and improvements	34,815,552	32,273,825
Furniture and equipment	784,977	726,339
Transportation equipment	1,967,704	1,752,778
Software	403,659	403,659
Total	39,236,681	36,421,390
Less: Accumulated depreciation	(15,175,398)	(14,117,891)
Property and equipment, net	\$ 24,061,283	\$ 22,303,499

Depreciation expense totaled \$1,135,921 and \$1,039,132 for the years ended August 31, 2023 and 2022, respectively.

7. Leases

In March 2017, the Organization entered into a lease agreement to rent office space in Silver Spring, Maryland. The lease expires in March 2027.

The Organization also has a lease for an Adult Day Services building located in Hagerstown, Maryland. The terms of the lease call for an initial lease period of two years. In July 2018, the lease was renewed as a month to month lease. In February 2020, the Organization signed a new lease agreement with another landlord for a lease term that expires fifteen years from the date of the lease commencement with a renewal option of an additional term of two periods of five years each.

During 2019, the Organization entered into several lease agreements to rent spaces for the Head Start program. These leases expire through June 2029.

In May 2022, the Organization entered into a lease agreement to rent a Head Start Center in Washington, DC. The lease is set to expire on the fifteenth lease year following the rent commencement date and includes a renewal period of an additional five years. Monthly rental payments began in May 2023. In connection with the lease, the Organization entered into an irrevocable standby letter of credit with M&T Bank on July 22, 2022. The letter of credit has a credit limit of \$200,000 and was unused as of August 31, 2023 and 2022.

In January 2023, the Organization entered into a lease agreement to rent a new Child Development Center in Arlington, Virginia. The lease is set to expire on the tenth lease year following the rent commencement date. Monthly rental payments began in January 2023.

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The Organization also entered into a finance lease for equipment which began in February 2023.

Under FASB ASC 840 (pre-adoption of the new standard, ASC 842) the difference between rent expense recognized on a straight-line basis and actual cash payments under the lease, as well as the utilized tenant improvement allowance, is reflected in deferred rent on the accompanying 2022 Statement of Financial Position. Rent expense for the building and office spaces totaled \$835,457 for the year ended August 31, 2022. Future minimum lease payments are as follows at August 31, 2022:

<u>Year ending August 31,</u>	<u>Amount</u>
2023	\$ 784,594
2024	966,617
2025	991,916
2026	1,018,377
2027	1,017,197
Thereafter	4,731,518
Total	\$ 9,510,219

Upon adoption of the new standard, the Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases.

The following table summarizes the components of lease cost for the year ended August 31, 2023:

Financing lease cost:	
Amortization of ROU assets	\$ 11,562
Interest expense on lease liability	1,828
Operating lease cost:	1,044,317
Total lease cost	\$ 1,057,707

Amortization of ROU assets – finance lease and interest expense are included in equipment in the accompanying Statement of Functional Expenses. Operating lease costs are included in occupancy in the accompanying Statement of Functional Expenses.

Total cash paid for operating and finance leases was \$858,590 and \$13,389, respectively, for the year ended August 31, 2023.

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Weighted average remaining lease terms and discount rates were as follows for the year ended August 31, 2023:

Weighted average remaining lease term (years):	
Operating leases	14.34
Finance leases	4.42
Weighted average discount rate:	
Operating leases	3.76%
Finance leases	3.69%

The following is a schedule by years of future minimum rental payments required under the operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year as of August 31, 2023:

Years Ending August 31,	Operating leases	Finance lease
2024	\$ 1,026,308	\$ 22,952
2025	1,059,664	22,952
2026	1,092,154	22,952
2027	984,634	22,952
2028	816,095	9,562
Thereafter	4,143,875	-
Total	9,122,730	101,370
Less: imputed interest	(115,787)	(7,961)
Lease liabilities	\$ 9,006,943	\$ 93,409

8. Long-term debt

Long-term debt at August 31, 2023 and 2022, consisted of the following:

	2023	2022
Bonds payable	\$ 6,526,322	\$ 6,900,287
Construction loans	1,316,466	1,316,466
Total long-term debt	7,842,788	8,216,753
Less: current portion	(385,920)	(373,116)
Total long-term debt, net of current portion	\$ 7,456,868	\$ 7,843,637

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Bonds payable: On December 1, 2016, the Organization entered into a loan and financing agreement by and between Maryland Economic Development Corporation (as Issuer) and the Organization (as Borrower) and M&T Bank (as Lender) on Maryland Economic Development Corporation Economic Development Revenue Refunding Bonds (Easter Seals Project) Series 2016 in the amount of \$5,935,000. Monthly payments of principal and interest are due beginning January 1, 2017 through December 1, 2036, when the unpaid principal amount outstanding is due in full. As of August 31, 2022, the interest rate on the bond was 1.59% plus 70% of one-month LIBOR. On December 1, 2022, the referenced interest rate was changed to SOFR and the related benchmark replacement adjustment. The interest rate at August 31, 2023 and 2022 was 6.55% and 3.95%, respectively. As of August 31, 2023 and 2022, the outstanding balance was \$4,384,296 and \$4,639,848, respectively.

In June 2013, the Organization obtained a \$3,008,000 loan through a bank as trustee from proceeds of a tax-exempt bond issuance by the Commonwealth of Virginia, City of Falls Church Economic Development Authority. The loan was obtained to finance the purchase, expansion of and improvements to approximately 6,000 square feet of existing space located in Falls Church, Virginia. The space comprises approximately 10,000 square feet and houses the operations of an Easter Seals Child Development Center. The loan is collateralized by the property and improvements. The bank has the right to require the Organization to purchase the bond at par at the end of each 120-month period after closing subject to advance written notice given by the bank of not less than 120 days prior to the purchase date. Interest payments only were required for the initial 24 months; thereafter principal and interest payments are due based upon an amortization period of 23 years. The interest rate on the bond is fixed at 3.07%. As of August 31, 2023 and 2022, the outstanding balance was \$2,142,190 and \$2,260,439, respectively.

Construction loans: The Organization was awarded a loan in the amount of \$325,839 from the District of Columbia acting by and through the Department of Housing and Community Development for exterior and interior improvements to its DC facility. The loan is interest free and is payable in full in September 2045. The loan can be extended at the end of the 40-year period with the lender's approval. The loan is secured by a deed of trust lien in the favor of the lender. As of August 31, 2023 and 2022, the outstanding balance was \$325,839.

The Organization was awarded a loan in the amount of \$990,627 from the District of Columbia acting by and through the Department of Housing and Community Development for certain improvements to the Organization's DC Child Development Center. The loan is interest free and is payable in full in February 2048. The loan is secured by the property. As of August 31, 2023 and 2022, the balance was \$990,627.

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PPP loan payable: The Organization received a second loan totaling \$2,000,000 on March 17, 2021, pursuant to the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight to 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll and non-payroll costs. On February 10, 2022, the Organization was approved for loan forgiveness of \$2,000,000. The Organization recorded \$2,000,000 as revenue for the year ended August 31, 2022, which is included in government grants on the Statements of Activities and Changes in Net Assets.

The bonds and the construction loans contain various financial covenants, which include a debt service coverage ratio of not less than 1.15 to 1.0, maintaining liquidity not less than the lesser of 100 days’ cash expenses or \$2,500,000, maintaining a ratio of the borrower’s indebtedness to tangible net worth not to exceed 1.00, and certified quarterly financial statements within 45 days after the end of each fiscal quarter. Interest expense incurred on the loans and bonds payable was \$265,294 and \$254,916 for the years ended August 31, 2023 and 2022, respectively. The Organization was in compliance with these covenants as of August 31, 2023.

Future minimum principal payments due under the loans and bonds payable as of August 31, 2023, are as follows:

<u>Year ending August 31,</u>	<u>Amount</u>
2024	\$ 385,920
2025	399,217
2026	412,786
2027	426,632
2028	440,692
Thereafter	5,777,541
Total	\$ 7,842,788

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- 9. Derivative instrument** On December 1, 2016, the Organization entered into an agreement with M&T bank to manage the exposure to changes in interest rates on the outstanding bond through the use of an interest rate swap. The agreement is set to expire on December 1, 2036. As of August 31, 2023, the notional amount of the swap was \$4,384,296. The swap effectively fixes the Organization's interest on the bond at approximately 2.064% for the expected term of the bond payable and the Organization will either pay (or be owed) the difference between that rate and the underlying floating rate (SOFR) percentage multiplied by 70% each month based on a notional amount. The effective date of the interest rate swap agreement was December 1, 2016. The Organization does not use derivatives for trading purposes.
- The fair value of the Organization's swap agreement was recorded on the Statement of Financial Position as an asset in the amount of \$268,856 and \$120,871 as of August 31, 2023 and 2022, respectively. The change in fair value was reported as a gain for 2023 and 2022 on the Statements of Activities and Changes in Net Assets.
- 10. Line of credit** On December 9, 2010, the Organization entered into a revolving line of credit agreement with M&T Bank. The line of credit has a credit limit of \$750,000 and bears interest at a fluctuating rate equal to the LIBOR rate plus 3% subject to a floor of 4%. There were no outstanding balances as of August 31, 2023 and 2022.
- 11. Retirement plan** The Organization has a money purchase plan under Section 403(b) of the Internal Revenue code for deferred compensation plans. Participation is voluntary and allows any qualifying employee to contribute pre-tax amounts through payroll withholdings up to the amount allowable by law. Effective October 2013, the 403(b) plan was restated to include employer contributions. The Organization may, at its discretion, match a percentage of employee deferrals. Expense related to these plans was \$318,547 and \$121,719 for the years ended August 31, 2023 and 2022, respectively.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

- 12. Related party transactions** The Organization is an affiliate of Easter Seals, Inc. (National). National's purpose is to lead, empower, and support the affiliates to create solutions that change the lives of children, adults, and their families with disabilities or other special needs.
- The nature and extent of this relationship is more fully described in a membership agreement between the Organization and National dated September 3, 2004.
- The agreement calls for, among other things, annual membership fees in accordance with a fee formula established by National. Membership fees were \$84,733 and \$89,510 for the years ended August 31, 2023 and 2022, respectively. There were no amounts due to National at August 31, 2023 and 2022.
- During the year ended August 31, 2023, the Organization recognized contributions and contributions receivable totaling \$1,050,000 from a member of the Board of Directors. The full amount was considered receivable as of August 31, 2023. The balances are expected be received through August 31, 2026.
- 13. Contingency** The Organization receives cost-based grants from the United States Department of Labor and the United States Department of Health and Human Services. Such grants are subject to audit under the provisions of the Uniform Guidance. The ultimate determination of amounts received under the United States government grants is based upon allowance of costs reported to and accepted by the United States government.
- The funding of U.S. government programs is subject to an annual Congressional budget authorization and appropriation processes. The Organization cannot predict the impact on existing, follow-on or replacement programs of potential changes in priorities due to reductions in government spending levels.
- Changes to the federal budget could adversely affect the funding for individual programs and result in lower revenues and cash flows for the Organization.
- 14. Risks and uncertainties** The Organization invests in various investment securities that are exposed to different risks such as interest rate, credit and market volatility risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's account balances and amounts reported in the Statements of Financial Position.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

15. Concentration of risk During the year ended August 31, 2023, the Organization received 37% of its revenue from one federal government agency, directly or indirectly from a pass-through agency. During the year ended August 31, 2022, the Organization received 32% of its revenue from two sources. As of August 31, 2023 and 2022, two donors had a contributions receivable balance outstanding which represented 64% and 73%, respectively, of total contributions receivable.

16. Employee retention tax credit Under the provisions of the CARES Act signed into law on March 27, 2020 and the subsequent extensions of certain provisions, the Organization was eligible for the refundable employee retention tax credit (ERTC) during 2022. The maximum credit in 2021 was \$7,000 per employee for each quarter through September 30, 2021. The Organization has accounted for the credit as a contribution under ASC 958-605. During the year ended August 31, 2022, the Organization recognized \$1,428,160 related to the ERTC which is presented within contributions – government grants on the accompanying Statements of Activities and Changes in Net Assets and contributions receivable on the accompanying Statements of Financial Position. This amount plus interest of \$57,094 was received in May 2023. The additional interest is presented within contributions – government grants on the accompanying Statements of Activities and Changes in Net assets during the year ended August 31, 2023. The credit is subject to audit by the Internal Revenue Service.

17. Net assets with donor restrictions Net assets with donor restrictions are available for the following purposes at August 31:

	2023	2022
Temporary restrictions		
Child development centers	\$ 369,592	\$ 851,980
Adult day services	4,032,825	5,271,245
Inter-Generational Center (renovation)	124,800	124,800
Veteran staffing	130,000	405,000
Campaigns HG/PG	1,400,000	-
Cohen Veteran Network grant and other grants	1,222,981	697,530
Advocacy	298,771	298,771
Bright Stars	277,385	277,385
Candid Conversations	-	2,500
Permanent restrictions		
Donor restricted endowment	168,374	151,721
Total	\$ 8,024,728	\$ 8,080,932

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Net assets with donor restrictions were released from restrictions during the years ended August 31 as follows:

	2023	2022
Temporary restrictions		
Child development centers	\$ 851,980	\$ 120,000
Adult day services	1,363,420	2,826,737
Inter-Generational Center (renovation)	-	78,700
Veteran staffing	405,000	75,000
Cohen Veteran Network grant and other grants	584,200	54,342
Advocacy	-	300,647
Bright Stars	-	75,713
Candid Conversations	-	10,000
Total	\$ 3,204,600	\$ 3,541,139

18. Endowment funds

The Organization's Endowment is made up of two donations restricted for perpetuity: The Proctor Fund and the Easter Seals Fund. The income from the Proctor Fund must be used to support the Organization's Northern Virginia Child Development Center. The income from the Easter Seals Fund can be used for any activity consistent with the Organization's charitable purpose. Investment income and appreciation of the investments of both funds is reported as income without donor restrictions due to the restriction being met in the same year as receipt.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Interpretation of the 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 net assets with donor restrictions – perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – perpetual in nature is classified as net assets with donor restrictions – temporary purpose restrictions 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 determining whether to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters – the Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. The organization's investment policy aims to maximize return on the assets by 1) providing for growth in real value, and 2) providing for temporary or longer term operating and/or capital needs.

Funds with Deficiencies – As of August 31, 2023 there were no funds with deficiencies. As of August 31, 2022, the assets associated with individual donor-restricted endowment funds with an original value of \$168,374 and a current fair value of \$151,721 had a cumulative underwater deficiency of \$16,653. The Organization's policy is not to spend funds with an underwater deficiency.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2023, are as follows:

		Without donor restrictions	With donor restrictions – temporary purpose restrictions	With donor restrictions – perpetual in nature	Total
Endowment net assets, beginning of year					
Proctor fund	\$	-	\$ -	\$ 121,370	\$ 121,370
Easter seals fund		-	-	30,351	30,351
Investment income		-	-	5,584	5,584
Net realized/ unrealized gain Amounts		-	-	12,848	12,848
Amounts appropriated for expenditures		-	-	(1,779)	(1,779)
<hr/>					
Endowment net assets, end of year					
Proctor fund		-	-	134,658	134,658
Easter seals fund		-	-	33,716	33,716
Total	\$	-	\$ -	\$ 168,374	\$ 168,374

Easter Seals Serving DC | MD | VA, Inc.

Notes to Financial Statements

Changes in endowment net assets for the fiscal year ended August 31, 2022, are as follows:

	Without donor restrictions	With donor restrictions – temporary purpose restrictions	With donor restrictions – perpetual in nature	Total
Endowment net assets, beginning of year				
Proctor fund	\$ -	\$ -	\$ 134,658	\$ 134,658
Easter seals fund	-	-	33,716	33,716
Investment income	-	-	2,208	2,208
Net realized/ unrealized loss	-	-	(18,861)	(18,861)
<hr/>				
Endowment net assets, end of year				
Proctor fund	-	-	121,370	121,370
Easter seals fund	-	-	30,351	30,351
Total	\$ -	\$ -	\$ 151,721	\$ 151,721

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Easter Seals Serving DC | MD | VA, Inc.
Silver Spring, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Easter Seals Serving DC | MD | VA, Inc.** (a nonprofit organization), which comprise the Statement of Financial Position as of August 31, 2023, and the related Statements of Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Easter Seals Serving DC | MD | VA, Inc.**'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Easter Seals Serving DC | MD | VA, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of the **Easter Seals Serving DC | MD | VA, Inc.**'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

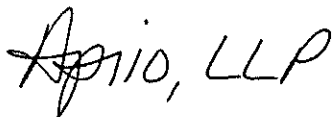
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (continued)

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, stylized font.

Rockville, Maryland
February 2, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Easter Seals Serving DC | MD | VA, Inc.
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Easter Seals Serving DC | MD | VA, Inc.**'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Easter Seals Serving DC | MD | VA, Inc.**'s major federal programs for the year ended August 31, 2023. **Easter Seals Serving DC | MD | VA, Inc.**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **Easter Seals Serving DC | MD | VA, Inc.** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Easter Seals Serving DC | MD | VA, Inc.** and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of **Easter Seals Serving DC | MD | VA, Inc.**'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **Easter Seals Serving DC | MD | VA, Inc.**'s federal programs.

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (continued)

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **Easter Seals Serving DC | MD | VA, Inc.**’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **Easter Seals Serving DC | MD | VA, Inc.**’s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding **Easter Seals Serving DC | MD | VA, Inc.**’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **Easter Seals Serving DC | MD | VA, Inc.**’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **Easter Seals Serving DC | MD | VA, Inc.**’s internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on **Easter Seals Serving DC | MD | VA, Inc.**’s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance (continued)

Easter Seals Serving DC | MD | VA, Inc's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

Report on Internal Control over Compliance

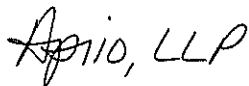
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on **Easter Seals Serving DC | MD | VA, Inc.'s** response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. **Easter Seals Serving DC | MD | VA, Inc.'s** response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Rockville, Maryland
February 2, 2024

Easter Seals Serving DC | MD | VA, Inc.

Schedule of Expenditures of Federal Awards

Year ended August 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number/ Award Number	Passed Through to Subrecipients	Federal Expenditures
United States Department of Labor				
Homeless Veterans Reintegration Program	17.805	N/A	\$ -	\$ 638,962
United States Department of Housing and Urban Development				
Community Development Block Grant (CDBG - Entitlement Grants Cluster)	14.218	B-22-UC-24-0011	\$ -	\$ 21,000
United States Department of Health and Human Services				
Head Start (Cluster)	93.600	N/A	-	8,438,146
<i>Pass-through From D.C. Office of State Superintendent of Education</i>				
Head Start (Cluster)	93.600	03HP00352	-	534,501
Head Start (Cluster)	93.600	N/A	-	196,076
Total Head Start Cluster			-	9,168,723
<i>Pass-through From D.C. Office of State Superintendent of Education</i>				
Every Student Succeeds Act/Preschool Development Grant - COVID-19	93.434	LIIF-S425C210023	-	632,000
<i>Pass-through From National Council on Aging</i>				
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90HDRC0008-01-00	-	12,917
<i>Pass-through From D.C. Office of State Superintendent of Education</i>				
Child Care and Development Block Grant (CCDF Cluster)	93.575	N/A	-	777,454
<i>Pass-through From Hurley and Associates, LLC</i>				
Child Care and Development Block Grant (CCDF Cluster)	93.575	N/A	-	89,592
Total CCDF Cluster			-	867,046
<i>Pass-through From Metropolitan Washington Council of Governments</i>				
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - COVID-19	93.498	22COG00123	-	160,378
Total direct and indirect United States Department of Health and Human Services			-	10,841,064
United States Department of Treasury				
<i>Pass-through From WorkSource Montgomery, Inc.</i>				
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	N/A	-	30,000
<i>Pass-through From Fairfax County</i>				
Coronavirus State and Local Fiscal Recovery Funds - COVID-19	21.027	543399BV	-	75,000
Total direct and indirect United States Department of Treasury			-	105,000
Total expenditures of federal awards			-	11,606,026
Loan Balances				
United States Department of Housing and Urban Development				
<i>Pass-through From D.C. Department of Housing and Community Development</i>				
Community Development Block Grant (CDBG - Entitlement Grants Cluster)	14.218	N/A	-	325,839
Community Development Block Grant (CDBG - Entitlement Grants Cluster)	14.218	DC-DHCD-2008-48	-	990,627
Total loan balances (CDBG - Entitlement Grants Cluster)			-	1,316,466
Total Department of Housing and Urban Development			-	1,316,466
Total Schedule of Expenditures of Federal Awards			\$ -	\$ 12,922,492

Refer to accompanying Notes to Schedule of Expenditures of Federal Awards.

Easter Seals Serving DC | MD | VA, Inc.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of presentation	The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Easter Seals Serving DC MD VA, Inc. under programs of the federal government for the year ended August 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Easter Seals Serving DC MD VA, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Easter Seals Serving DC MD VA, Inc.															
2. Summary of significant accounting policies	Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Such expenditures are recognized following the cost principles contained in OMB Circular A-122 "Cost Principles for Non-Profit Organizations" or in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.															
3. Indirect cost rate	The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.															
4. Loan balances	<p>Outstanding balances of government loans from federal sources at August 31, 2023 are as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">United States Department of Housing and Urban Development <i>Pass-through from D.C. Department of Housing and Community Development</i></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Community Development Block Grant (CDBG Cluster)</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">325,839</td> </tr> <tr> <td style="padding-left: 20px;">Community Development Block Grant (CDBG Cluster)</td> <td></td> <td style="text-align: right;">990,627</td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td style="padding-left: 20px;">Total government loans outstanding (CDBG – Entitlement Grants Cluster)</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">1,316,466</td> </tr> </table>	United States Department of Housing and Urban Development <i>Pass-through from D.C. Department of Housing and Community Development</i>			Community Development Block Grant (CDBG Cluster)	\$	325,839	Community Development Block Grant (CDBG Cluster)		990,627	<hr/>			Total government loans outstanding (CDBG – Entitlement Grants Cluster)	\$	1,316,466
United States Department of Housing and Urban Development <i>Pass-through from D.C. Department of Housing and Community Development</i>																
Community Development Block Grant (CDBG Cluster)	\$	325,839														
Community Development Block Grant (CDBG Cluster)		990,627														
<hr/>																
Total government loans outstanding (CDBG – Entitlement Grants Cluster)	\$	1,316,466														
5. Reconciliation to revenue	<p>A reconciliation of the Schedule to the Statement of Activities and Changes in Net Assets for the year ended August 31, 2023 is as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-left: 20px;">Federal award expenditures</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">11,606,026</td> </tr> <tr> <td style="padding-left: 20px;">Less: Federal cost-reimbursement contract</td> <td></td> <td style="text-align: right;">(777,454)</td> </tr> <tr> <td style="padding-left: 20px;">Employee retention tax credit</td> <td></td> <td style="text-align: right;">57,094</td> </tr> <tr> <td colspan="3"><hr/></td> </tr> <tr> <td style="padding-left: 20px;">Total government grants</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">10,885,666</td> </tr> </table>	Federal award expenditures	\$	11,606,026	Less: Federal cost-reimbursement contract		(777,454)	Employee retention tax credit		57,094	<hr/>			Total government grants	\$	10,885,666
Federal award expenditures	\$	11,606,026														
Less: Federal cost-reimbursement contract		(777,454)														
Employee retention tax credit		57,094														
<hr/>																
Total government grants	\$	10,885,666														