



CLARK SCHAEFER HACKETT  
BUSINESS ADVISORS

# **Easterseals Central and Southeast Ohio, Inc.**

Financial Statements

Years Ended August 31, 2021 and 2020

(with Independent Auditors' Report)

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Easterseals Central and Southeast Ohio, Inc. (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easterseals Central and Southeast Ohio, Inc. as of August 31, 2021 and 2020, 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.

*Clark, Schaefer, Hackett & Co.*

Columbus, Ohio  
January 27, 2022

Easterseals Central and Southeast Ohio, Inc.  
Statements of Financial Position  
August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,743,216	1,012,524
Accounts receivable, net	199,759	227,253
Prepaid expenses	56,292	24,322
Investments at fair value	<u>2,473,328</u>	<u>2,152,998</u>
Total current assets	<u>5,472,595</u>	<u>3,417,097</u>
Noncurrent assets:		
Property and equipment, net	2,609,080	2,731,716
Other assets	<u>1,883,859</u>	<u>353,486</u>
Total noncurrent assets	<u>4,492,939</u>	<u>3,085,202</u>
Total assets	<u>\$ 9,965,534</u>	<u>6,502,299</u>
Liabilities and net assets:		
Current liabilities:		
Accounts payable	\$ 57,598	40,405
Accrued expenses and employee compensation	209,263	174,710
Deferred income	516,543	58,207
Capital lease obligation, current portion	5,168	18,066
Notes payable, current portion	102,432	451,838
Mortgage payable, current portion	<u>87,277</u>	<u>83,654</u>
Total current liabilities	<u>978,281</u>	<u>826,880</u>
Long term liabilities:		
Capital lease obligation	9,216	2,969
Mortgage interest swap	64,837	101,937
Notes payable	422,278	936,662
Mortgage payable	<u>1,245,548</u>	<u>1,330,323</u>
Total long term liabilities	<u>1,741,879</u>	<u>2,371,891</u>
Net assets:		
Without donor restrictions	6,597,543	2,733,434
With donor restrictions	<u>647,831</u>	<u>570,094</u>
Total net assets	<u>7,245,374</u>	<u>3,303,528</u>
Total liabilities and net assets	<u>\$ 9,965,534</u>	<u>6,502,299</u>

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.  
Statement of Activities  
Year Ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and support:			
Contributions	\$ 426,851	-	426,851
Special events, net of related expenses	127,320	-	127,320
Program service fees, net	2,528,773	176,991	2,705,764
Grants and contract revenue	1,619,375	-	1,619,375
Investment income, net	203,211	-	203,211
In-kind contributions	40,000	-	40,000
Mortgage interest rate swap loss	(41,167)	-	(41,167)
Other	204,652	-	204,652
Net assets released from restrictions	<u>63,299</u>	<u>(63,299)</u>	<u>-</u>
Total revenues, gains and support	<u>5,172,314</u>	<u>113,692</u>	<u>5,286,006</u>
Expenses:			
Program expenses:			
Public Health Education	73,151	-	73,151
Early Childhood Education	773,524	-	773,524
After school	251,757	-	251,757
Other	64,284	-	64,284
Adult Day - Ross	289,083	-	289,083
Adult Day - Knox	159,580	-	159,580
Adult Day - Lawrence	327,441	-	327,441
Adult Day - Scioto	104,849	-	104,849
In-Home and Ohio Home Choice	1,695,301	-	1,695,301
Ombudsman	<u>654,107</u>	<u>-</u>	<u>654,107</u>
Total program expenses	<u>4,393,077</u>	<u>-</u>	<u>4,393,077</u>
Supporting expenses:			
Management and general	522,365	-	522,365
Fundraising	<u>171,756</u>	<u>-</u>	<u>171,756</u>
Total supporting expenses	<u>694,121</u>	<u>-</u>	<u>694,121</u>
Unallocated payments to affiliated organizations	<u>54,918</u>	<u>-</u>	<u>54,918</u>
Total expenses	<u>5,142,116</u>	<u>-</u>	<u>5,142,116</u>
Change in net assets	30,198	113,692	143,890
Net assets at beginning of year	<u>2,703,236</u>	<u>456,402</u>	<u>3,159,638</u>
Net assets at end of year	\$ <u>2,733,434</u>	<u>570,094</u>	<u>3,303,528</u>

See accompanying notes to the financial statements.

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

	Public Health Education	Early Childhood Education	After School	Other	Adult Day Ross	Adult Day Knox	Adult Day Lawrence	Adult Day Scioto	In-Home Services	Ombudsman	Management and General	Fund- raising	Total
Salaries	\$ 44,035	425,694	127,582	1,467	120,912	33,215	189,338	51,476	1,154,281	500,618	294,675	107,661	3,050,954
Payroll taxes	3,313	33,093	10,737	98	9,598	2,533	15,239	4,184	110,548	38,430	22,421	7,793	257,987
Employee benefits	5,831	16,422	4,373	203	6,292	1,313	6,678	825	5,114	40,701	10,541	5,869	104,162
Total salaries and benefits	<u>53,179</u>	<u>475,209</u>	<u>142,692</u>	<u>1,768</u>	<u>136,802</u>	<u>37,061</u>	<u>211,255</u>	<u>56,485</u>	<u>1,269,943</u>	<u>579,749</u>	<u>327,637</u>	<u>121,323</u>	<u>3,413,103</u>
Professional contracts	17,410	123,126	68,481	48,894	23,250	14,208	17,803	7,527	111,729	37,248	66,370	16,864	552,910
Supplies	278	9,746	6,470	72,052	7,143	328	5,113	1,536	1,984	8,786	935	1,809	116,180
Telephone	733	4,848	3,200	21	6,290	1,811	11,768	1,435	6,256	9,914	305	1,090	47,671
Postage and shipping	276	399	377	99	329	214	220	106	1,633	1,278	151	72	5,154
Occupancy	639	26,768	8,953	14	15,587	35,911	29,879	28,364	1,334	12,155	1,054	2,942	163,600
Minor equipment	1,018	13,217	4,593	2,528	13,271	4,954	8,797	3,635	7,032	21,174	3,031	5,967	89,217
Local transportation	275	2,653	2,622	161	7,621	5,144	7,159	1,615	24,701	13,116	2,970	861	68,898
Conferences and meetings	515	2,372	748	107	623	387	451	205	2,944	1,758	965	384	11,459
Printing and publications	4,842	1,363	1,435	139	1,020	315	1,113	280	6,811	37,300	892	437	55,947
Insurance	512	5,634	6,476	512	4,609	3,073	3,073	1,536	21,509	9,722	2,049	1,024	59,729
Membership fees	689	3,130	560	44	9,739	6,459	6,767	3,356	1,994	5,482	428	3,195	41,843
Interest	716	7,881	5,732	716	21,708	4,299	4,481	2,149	30,091	5,015	2,866	1,433	87,087
Miscellaneous	206	1,229	601	32	607	358	2,749	213	3,949	5,441	474	938	16,797
Subtotal	<u>81,288</u>	<u>677,575</u>	<u>252,940</u>	<u>127,087</u>	<u>248,599</u>	<u>114,522</u>	<u>310,628</u>	<u>108,442</u>	<u>1,491,910</u>	<u>748,138</u>	<u>410,127</u>	<u>158,339</u>	<u>4,729,595</u>
Depreciation	<u>1,667</u>	<u>69,962</u>	<u>22,561</u>	<u>30</u>	<u>41,328</u>	<u>10,917</u>	<u>45,640</u>	<u>4,301</u>	<u>3,269</u>	<u>16,335</u>	<u>2,734</u>	<u>5,330</u>	<u>224,074</u>
Total expenses	\$ <u>82,955</u>	<u>747,537</u>	<u>275,501</u>	<u>127,117</u>	<u>289,927</u>	<u>125,439</u>	<u>356,268</u>	<u>112,743</u>	<u>1,495,179</u>	<u>764,473</u>	<u>412,861</u>	<u>163,669</u>	<u>4,953,669</u>
Percent of total expenses	1.7%	15.1%	5.6%	2.6%	5.9%	2.5%	7.2%	2.3%	30.2%	15.4%	8.3%	3.3%	100.0%

See accompanying notes to the financial statements.



Easterseals Central and Southeast Ohio, Inc.  
Statement of Functional Expenses  
Year Ended August 31, 2020

	Public Health Education	Early Childhood Education	After School	Other	Adult Day Ross	Adult Day Knox	Adult Day Lawrence	Adult Day Scioto	In-Home Services	Ombudsman	Management and General	Fund- raising	Total
Salaries	\$ 38,468	394,857	115,676	7,595	129,029	66,017	184,946	44,989	1,323,218	444,264	280,613	118,057	3,147,729
Payroll taxes	2,995	32,132	10,400	808	12,154	6,936	17,121	4,181	129,191	34,679	22,584	9,151	282,332
Employee benefits	5,224	10,543	1,512	110	8,444	2,853	1,230	671	10,941	35,777	132,070	7,093	216,468
Total salaries and benefits	<u>46,687</u>	<u>437,532</u>	<u>127,588</u>	<u>8,513</u>	<u>149,627</u>	<u>75,806</u>	<u>203,297</u>	<u>49,841</u>	<u>1,463,350</u>	<u>514,720</u>	<u>435,267</u>	<u>134,301</u>	<u>3,646,529</u>
Professional contracts	1,161	183,424	55,003	22,897	11,795	8,305	7,576	3,741	53,473	20,905	63,486	14,745	446,511
Supplies	1,824	8,353	5,890	29,043	6,586	3,250	4,396	2,957	6,082	5,549	1,000	962	75,892
Telephone	760	6,019	4,087	33	5,822	1,788	11,152	1,303	6,782	13,094	328	1,089	52,257
Postage and shipping	274	365	314	120	316	207	233	105	1,411	921	127	626	5,019
Occupancy	685	28,774	9,391	269	18,506	34,323	29,831	25,663	1,848	11,934	1,099	2,200	164,523
Minor equipment	582	9,436	2,620	248	11,086	3,137	5,886	3,975	6,863	6,499	4,033	1,385	55,750
Local transportation	737	3,701	2,807	193	4,905	3,216	4,497	1,974	36,024	20,752	3,498	1,202	83,506
Conferences and meetings	367	2,374	598	189	720	608	660	504	3,719	1,883	1,267	747	13,636
Printing and publications	15,922	1,417	1,454	373	1,644	1,143	1,103	703	6,826	19,737	625	441	51,388
Insurance	515	5,662	6,429	515	4,633	3,088	3,088	2,326	21,620	8,217	2,059	1,029	59,181
Membership fees	321	1,278	470	107	2,905	2,344	3,119	2,638	11,201	2,238	201	2,704	29,526
Interest	495	5,446	3,963	496	20,776	2,974	3,308	1,487	20,816	3,469	1,982	991	66,203
Miscellaneous	1,255	13,987	9,679	1,221	11,002	7,357	9,545	3,672	51,064	8,465	4,882	4,307	126,436
Subtotal	<u>71,585</u>	<u>707,768</u>	<u>230,293</u>	<u>64,217</u>	<u>250,323</u>	<u>147,546</u>	<u>287,691</u>	<u>100,889</u>	<u>1,691,079</u>	<u>638,383</u>	<u>519,854</u>	<u>166,729</u>	<u>4,876,357</u>
Depreciation	1,566	65,756	21,464	67	38,760	12,034	39,750	3,960	4,222	15,724	2,511	5,027	210,841
Total expenses	\$ <u>73,151</u>	<u>773,524</u>	<u>251,757</u>	<u>64,284</u>	<u>289,083</u>	<u>159,580</u>	<u>327,441</u>	<u>104,849</u>	<u>1,695,301</u>	<u>654,107</u>	<u>522,365</u>	<u>171,756</u>	<u>5,087,198</u>
Percent of total expenses	1.4%	15.2%	4.9%	1.3%	5.7%	3.1%	6.4%	2.1%	33.3%	12.9%	10.3%	3.4%	100.0%

See accompanying notes to the financial statements.

Easterseals Central and Southeast Ohio, Inc.  
Statements of Cash Flows  
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>3,941,846</u>	<u>143,890</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	224,074	190,660
Cash surrender value of life insurance	8,872	8,582
Realized and unrealized (gain) loss on investments	(282,876)	142,093
Realized and unrealized gain and reinvested interest and dividends on beneficial interest in assets held by others	(12,817)	(2,576)
Changes in assets and liabilities:		
Accounts receivable	27,494	38,629
Other assets	(1,558,398)	14,330
Accounts payable	17,193	(5,938)
Accrued expenses	34,553	10,999
Deferred revenue	458,336	28,357
Liability for pension benefit	<u>-</u>	<u>(762,970)</u>
Total adjustment	<u>(1,083,569)</u>	<u>(337,834)</u>
Net cash flows from operating activities	<u>2,858,277</u>	<u>(193,944)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	642,204	49,026
Purchase of investments	(679,658)	(379,874)
Acquisition of property and equipment	<u>(101,438)</u>	<u>(119,096)</u>
Net cash flows from investing activities	<u>(138,892)</u>	<u>(449,944)</u>
Cash flows from financing activities:		
Payments on long-term debt	(296,442)	(77,503)
Proceeds from notes	-	1,388,500
PPP loan forgiveness	(648,500)	-
(Gain)/loss on interest rate swap	(37,100)	41,167
Payments on capital leases	<u>(6,651)</u>	<u>(17,043)</u>
Net cash flows from financing activities	<u>(988,693)</u>	<u>1,335,121</u>
Net change in cash and cash equivalents	1,730,692	691,233
Cash and cash equivalents at beginning of year	<u>1,012,524</u>	<u>321,291</u>
Cash and cash equivalents at end of year	\$ <u>2,743,216</u>	<u>1,012,524</u>

Supplemental Disclosure:

See accompanying notes to the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

### **Nature of activities**

Easterseals Central and Southeast Ohio, Inc. (the Organization) is a not-for-profit corporation established to provide education and rehabilitative services to individuals with disabilities in the Central and Southeast Ohio area. The Organization is exempt from federal income tax under the provisions of Sections 501(c)(3) of the Internal Revenue Code (IRC). The organization is a local affiliate of Easterseals, Inc.

### **Basis of accounting**

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

### **Financial statement presentation**

The Organization reports information regarding its financial position and activities in two classes of net assets: net assets without donor restrictions which have no donor-imposed restrictions and net assets with donor restrictions which are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will likely be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. See Note 8 for the Organization's net assets that must be maintained in perpetuity as of December 31, 2021 and 2020.

### **Adoption of new accounting standard**

During 2021, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The ASU, as updated, represents a comprehensive overhaul of substantially all previous revenue recognition guidance within U.S. GAAP. Additionally, the ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective September 1, 2020, the first day of the Organization's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the start of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. Management has analyzed the provisions of the ASU and have concluded that no changes are necessary to conform with the new standard.

### **Estimates**

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

### **Income taxes**

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

### **Cash and cash equivalents**

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

### **Investments**

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

### **Accounts receivable**

Certain receivables of the Organization are due from third-party payers, including Medicaid. Management estimates an allowance for doubtful accounts. The estimate is based upon management's review of delinquent accounts and an assessment of the Organization's historical evidence of collections. No bad debt expense was recognized for the years ended August 31, 2021 and 2020, as a result of this estimate.

### **Unconditional promises to give**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met

### **Property and equipment**

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

### **Beneficial interest in assets held by others**

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

### **Cash surrender value of life insurance**

The Organization has received various life insurance policies donated by individuals from time to time. The Organization is both owner and beneficiary of the policies with annual premium payments required

from the insured. In the event of default by the insured, the Organization, at its option, may continue premium payments. There are no donor stipulations on the use of proceeds that may come from these policies, either at the donor's death or through redemption of cash surrender values. There were ten policies in force during 2021 and 2020 with an aggregate face value of \$466,934 and \$464,061, respectively. The policies had an aggregate cash surrender value of \$266,909 and \$258,037 at August 31, 2021 and 2020, respectively, and are included in other assets on the statements of financial position.

#### **In-kind contributions**

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

#### **Functional expense allocation**

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

#### **Advertising costs**

Advertising costs are expensed as incurred.

#### **Subsequent events**

The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 27, 2022, the date on which the financial statements were available to be issued.

## **2. RELATED PARTY TRANSACTIONS:**

The Organization incurred \$57,363 and \$54,918 of costs associated with its national affiliate Easterseals, Inc. and other regional Easterseals organizations for the years ended August 31, 2021 and 2020, respectively.

The Organization has an agreement with two Easterseals affiliates within Ohio for the joint services of a government relations and advocacy consultant. Focused Capitol Solutions LLC has been engaged to fulfill these responsibilities. Each affiliate will be billed monthly by the Organization for services provided by the Focused Capitol Solutions, respectively. At August 31, 2021 and 2020, \$0 and \$2,500 was due to the Organization from the affiliates, respectively.

## **3. INVESTMENTS:**

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

	2021		2020	
	Cost	Market Value	Cost	Market Value
Cash and Cash Equivalents	\$ 133,882	133,882	186,922	186,922
Fixed Income	946,133	950,990	962,092	972,919
Equity	767,668	1,333,731	655,584	948,860
Real Estate Investments	49,360	54,725	49,360	44,297
	\$ 1,897,043	2,473,328	1,853,958	2,152,998

#### 4. FAIR VALUE MEASUREMENTS:

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

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

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

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

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

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

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

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

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

		<b>2021</b>			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash & Cash Equivalents	\$	133,882	-	-	133,882
Fixed Income		950,990	-	-	950,990
Equity		1,333,731	-	-	1,333,731
Real Estate Investments		54,725	-	-	54,725
Total Investments		<u>2,473,328</u>	<u>-</u>	<u>-</u>	<u>2,473,328</u>
Beneficial Interest Held by others		-	-	1,586,800	1,586,800
Total assets at fair value	\$	<u>2,473,328</u>	<u>-</u>	<u>1,586,800</u>	<u>4,060,128</u>
<b>Liabilities</b>					
Interest rate swaps	\$	<u>-</u>	<u>64,837</u>	<u>-</u>	<u>64,837</u>
		<b>2020</b>			
		Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash & Cash Equivalents	\$	186,922	-	-	186,922
Fixed Income		972,919	-	-	972,919
Equity		948,860	-	-	948,860
Real Estate Investments		44,297	-	-	44,297
Total Investments		<u>2,152,998</u>	<u>-</u>	<u>-</u>	<u>2,152,998</u>
Beneficial Interest Held by others		-	-	73,983	73,983
Total assets at fair value	\$	<u>2,152,998</u>	<u>-</u>	<u>73,983</u>	<u>2,226,981</u>
<b>Liabilities</b>					
Interest rate swaps	\$	<u>-</u>	<u>101,937</u>	<u>-</u>	<u>101,937</u>

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

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 73,983	71,407
Additions	1,500,000	-
Unrealized gain	12,817	2,576
Ending balance	<u>\$ 1,586,800</u>	<u>73,983</u>

#### 5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following at August 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 618,288	618,288
Building	3,218,576	3,198,000
Equipment	611,245	615,009
Automobiles	254,109	199,775
Leasehold Improvements	115,594	133,594
	<u>4,817,812</u>	<u>4,764,666</u>
Less accumulated depreciation	<u>(2,208,732)</u>	<u>(2,032,950)</u>
	<u>\$ 2,609,080</u>	<u>2,731,716</u>

#### 6. PENSION PLAN:

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

#### 7. LONG-TERM DEBT:

The Organization entered into a promissory note with a financial institution in May 2012 for a maximum amount of \$399,500. Beginning January 2016, interest changed to 3.50% plus the U.S. Treasury 1-year rate for 59 consecutive principal and interest payments of \$2,547. In November 2018, this note was refinanced in the amount of \$336,000 with an interest rate of 5.2% per annum. The Organization's outstanding balances as of August 31, 2021 and 2020 were \$261,034 and \$289,193, respectively.

The Organization entered into a mortgage agreement with a financial institution in 2010 for \$1,600,000. In November 2015, the Organization amended the agreement, extending the maturity date to November 2025 and changing the interest rate to be a floating rate per annum equal to 1.95% in excess of LIBOR (London Interbank Offered Rate). The agreement contains a debt service coverage ratio covenant. The loan is collateralized by the property. In November 2025, all unpaid principal and interest is due in one balloon payment. The Organization's outstanding balances as of August 31, 2021 and 2020 were \$1,071,791 and \$1,124,137, respectively.



On April 13, 2020, the Organization received loan proceeds in the amount of \$648,500 under 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 business’s average monthly payroll expenses.

The Organization received full forgiveness for the PPP loan in July 2021 and has recorded \$648,500 as other income as of August 31, 2021.

The Organization entered into a promissory note with a financial institution in August 2020 for a maximum amount of \$740,000 to terminate its’ pension plan. Principal and interest payments of \$10,030 are due monthly beginning September 2020 and a final payment of \$241,596 is due August 2025. The interest rate on the note is 3.75%. The Organization paid an additional \$120,000 on principal in fiscal year 2021. The Organization’s outstanding balances as of August 31, 2021 was \$524,710.

Future principal mortgage payments are as follows:

Year ending		Amount
August 31		<u>          </u>
2022	\$	87,277
2023		88,728
2024		92,841
2025		934,892
2026		37,397
Thereafter		<u>91,690</u>
	\$	<u><u>1,332,825</u></u>

Future principal note payments are as follows:

Year ending		Amount
August 31		<u>          </u>
2022	\$	102,432
2023		106,350
2024		110,407
2025		<u>205,521</u>
	\$	<u><u>524,710</u></u>

**8. NET ASSETS WITH DONOR RESTRICTIONS:**

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

	2021	2020
Program services	\$ 54,736	99,693
Restricted for land, building, equipment	-	1,520
Endowment investment return pending board appropriation	147,735	23,521
	\$ 202,471	124,734

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

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

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

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

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

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

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

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

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

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

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

The following represents the change in donor-restricted endowment funds by net asset type for the year ended August 31, 2020:

	Without Donor Restriction	Donor Restrictions		Total
		Temporarily Restricted	Perpetually Restricted	
<b>Endowment net assets</b>				
Beginning of year	\$ -	4,906	445,360	450,266
Release of restriction	-	(2,517)	-	(2,517)
Investment income	-	21,132	-	21,132
End of year	<u>\$ -</u>	<u>23,521</u>	<u>445,360</u>	<u>468,881</u>

## 9. CAPITAL LEASE:

The Organization leases office equipment under capital lease agreements, which expire at various dates through January 2026. The Organization paid \$34,578 and \$26,695 for the years ended August 31, 2021 and 2020, respectively, for rental and lease fees.

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

	2021	2020
Equipment	\$ 97,380	148,853
Accumulated depreciation	(85,447)	(135,902)
	\$ 11,933	12,951

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

Year ending August 31	
2022	\$ 6,157
2023	3,150
2024	3,150
2025	3,150
2026	1,312
Total minimum lease payments	16,919
Less amount representing interest(*)	(2,535)
Present value of minimum lease payments \$	14,384

(\*) Interest rates are 9.13% and 4.86%

#### **10. OPERATING LEASES:**

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

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

In September 2019, the Organization entered into a three-year lease agreement for the Scioto County office located at 3858 US Highway 23, Portsmouth, Ohio. The terms of the lease call for monthly payments of \$1,875.

#### **11. CONCENTRATIONS:**

The Organization maintains cash balances at three financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2021 and 2020, respectively, the Organization had \$1,442,311 and \$673,051 in deposits that were not insured.

**12. DERIVATIVE FINANCIAL INSTRUMENT:**

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

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

The Organization is using the interest rate swap to manage the interest rate exposure of its variable rate debt. The swap is recorded at fair value, which is the estimated amount that the Organization would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty. Changes in the swap's fair value during the year ended August 31, 2021 and 2020 resulted in unrealized (loss) / gain of \$37,100 and (\$41,167), respectively, which is included in unrestricted change in net assets in the statement of activities. The fair value of the swap was a liability of \$64,837 and \$101,937 as of August 31, 2021 and 2020, respectively.

**13. LIQUIDITY:**

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

The following table presents the financial assets available to meet cash needs for general operations within one year of August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 2,743,216	1,012,524
Accounts receivable	199,759	227,253
Investments	2,473,328	2,152,998
Donor restrictions	<u>(647,831)</u>	<u>(570,094)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,768,472</u>	<u>2,822,681</u>

**14. RISKS AND UNCERTANTIES:**

The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. The extent to which the pandemic may impact the Organization's financial condition or results of activities is uncertain at this time.