



**EASTER SEALS MASSACHUSETTS, INC.**

**FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**EASTER SEALS MASSACHUSETTS, INC.**

Contents  
August 31, 2019 and 2018

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50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpa.com

## Independent Auditor's Report

To the Board of Directors of  
Easter Seals Massachusetts, Inc.:

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

We have audited the accompanying financial statements of Easter Seals Massachusetts, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

### ***Auditor's Responsibility***

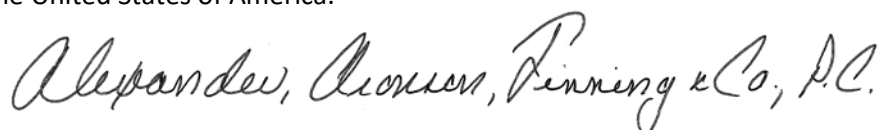
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Massachusetts, Inc. as of August 31, 2019 and 2018, 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.



Westborough, Massachusetts  
November 19, 2019

**EASTER SEALS MASSACHUSETTS, INC.**Statements of Financial Position  
August 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Current Assets:		
Cash	\$ 472,523	\$ 76,003
Program fees receivable, net of allowance for doubtful accounts of \$4,322 and \$96,010 at August 31, 2019 and 2018, respectively	1,769,212	2,063,724
Contributions receivable	105,412	221,801
Prepaid expenses and other	60,813	64,942
Total current assets	<u>2,407,960</u>	<u>2,426,470</u>
Restricted Cash	507,746	-
Investments	5,707,734	5,463,700
Assets Held for Others	618,384	725,489
Property and Equipment, net	<u>149,768</u>	<u>194,166</u>
Total assets	<u>\$ 9,391,592</u>	<u>\$ 8,809,825</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 829,727	\$ 885,145
Current portion of notes payable	102,999	97,983
Current portion of pension benefit obligation	300,000	325,000
Deferred revenue	589,340	5,000
Total current liabilities	<u>1,822,066</u>	<u>1,313,128</u>
Notes Payable, net of current portion	425,880	528,888
Assets Held for Others	618,384	725,489
Pension Benefit Obligation, net of current portion	<u>2,207,717</u>	<u>1,768,912</u>
Total liabilities	<u>5,074,047</u>	<u>4,336,417</u>
Net Assets:		
Without donor restrictions:		
Operating	2,386,190	2,524,849
Property and equipment	147,644	185,670
Board designated	260,000	260,000
Total without donor restriction	<u>2,793,834</u>	<u>2,970,519</u>
With donor restrictions	<u>1,523,711</u>	<u>1,502,889</u>
Total net assets	<u>4,317,545</u>	<u>4,473,408</u>
Total liabilities and net assets	<u>\$ 9,391,592</u>	<u>\$ 8,809,825</u>

The accompanying notes are an integral part of these statements.

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**EASTER SEALS MASSACHUSETTS, INC.**

 Statements of Activities and Changes in Net Assets  
 For the Years Ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Other Support:</b>						
Program fees	\$ 13,436,509	\$ -	\$ 13,436,509	\$ 12,842,298	\$ -	\$ 12,842,298
Grants and contributions	534,448	10,000	544,448	816,208	-	816,208
Special events	458,856	-	458,856	492,456	-	492,456
Donated goods and services	217,010	-	217,010	50,300	-	50,300
Legacies and bequests	11,499	-	11,499	16,799	-	16,799
Net assets released from restrictions	4,501	(4,501)	-	4,935	(4,935)	-
Total operating revenue and other support	<u>14,662,823</u>	<u>5,499</u>	<u>14,668,322</u>	<u>14,222,996</u>	<u>(4,935)</u>	<u>14,218,061</u>
<b>Operating Expenses:</b>						
Program services	12,375,653	-	12,375,653	11,658,733	-	11,658,733
General and administrative	1,506,880	-	1,506,880	1,423,372	-	1,423,372
Fundraising	677,204	-	677,204	684,245	-	684,245
Total operating expenses	<u>14,559,737</u>	<u>-</u>	<u>14,559,737</u>	<u>13,766,350</u>	<u>-</u>	<u>13,766,350</u>
Changes in net assets from operations	<u>103,086</u>	<u>5,499</u>	<u>108,585</u>	<u>456,646</u>	<u>(4,935)</u>	<u>451,711</u>
<b>Non-Operating Revenue (Expense):</b>						
Net investment return	233,246	15,323	248,569	488,582	157,917	646,499
Pension-related change other than periodic pension cost	(513,017)	-	(513,017)	134,573	-	134,573
Total non-operating revenue (expense)	<u>(279,771)</u>	<u>15,323</u>	<u>(264,448)</u>	<u>623,155</u>	<u>157,917</u>	<u>781,072</u>
Changes in net assets	(176,685)	20,822	(155,863)	1,079,801	152,982	1,232,783
<b>Net Assets:</b>						
Beginning of year	<u>2,970,519</u>	<u>1,502,889</u>	<u>4,473,408</u>	<u>1,890,718</u>	<u>1,349,907</u>	<u>3,240,625</u>
End of year	<u>\$ 2,793,834</u>	<u>\$ 1,523,711</u>	<u>\$ 4,317,545</u>	<u>\$ 2,970,519</u>	<u>\$ 1,502,889</u>	<u>\$ 4,473,408</u>

The accompanying notes are an integral part of these statements.

**EASTER SEALS MASSACHUSETTS, INC.**Statements of Cash Flows  
For the Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (155,863)	\$ 1,232,783
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	39,438	33,374
Bad debt	39,569	37,538
Net realized and unrealized gains on investments	(165,614)	(585,425)
Change in pension benefit obligation	738,805	40,770
Loss on disposal of property and equipment	12,400	-
Changes in operating assets and liabilities:		
Program fees receivable	254,943	(283,151)
Contributions receivable	116,389	(151,491)
Prepaid expenses and other	4,129	8,294
Accounts payable and accrued expenses	(55,418)	(44,413)
Deferred revenue	584,340	(1,515)
Net cash provided by operating activities	<u>1,413,118</u>	<u>286,764</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	786,141	674,109
Purchase of investments	(864,561)	(730,219)
Purchase of property and equipment	(7,440)	(122,781)
Deposits to restricted cash	<u>(507,746)</u>	<u>-</u>
Net cash used in investing activities	<u>(593,606)</u>	<u>(178,891)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on notes payable	(97,992)	(93,342)
Pension benefit contribution	<u>(325,000)</u>	<u>(275,000)</u>
Net cash used in financing activities	<u>(422,992)</u>	<u>(368,342)</u>
<b>Net Change in Cash</b>	396,520	(260,469)
<b>Cash:</b>		
Beginning of year	<u>76,003</u>	<u>336,472</u>
End of year	<u>\$ 472,523</u>	<u>\$ 76,003</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 38,151</u>	<u>\$ 41,359</u>

EASTER SEALS MASSACHUSETTS, INC.

Statement of Functional Expenses

For the Year Ended August 31 2019

(With Summarized Comparative Totals for the Year Ended August 31, 2018)

	2019							2018	
	Program Services			Support Services				Total	
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	
<b>Personnel and Related Costs:</b>									
Salaries and contracted services	\$ 4,729,824	\$ 1,317,980	\$ 2,962,790	\$ 9,010,594	\$ 785,773	\$ 397,918	\$ 1,183,691	\$ 10,194,285	\$ 9,588,792
Benefits	558,194	192,588	340,506	1,091,288	128,444	62,558	191,002	1,282,290	975,152
Payroll taxes	342,877	95,148	215,481	653,506	51,759	29,958	81,717	735,223	710,903
Net periodic pension cost	60,628	92,573	15,866	169,067	56,721	-	56,721	225,788	175,343
Total personnel and related costs	<u>5,691,523</u>	<u>1,698,289</u>	<u>3,534,643</u>	<u>10,924,455</u>	<u>1,022,697</u>	<u>490,434</u>	<u>1,513,131</u>	<u>12,437,586</u>	<u>11,450,190</u>
<b>Other Operating Costs:</b>									
Assistance to individuals	35	345,210	43,782	389,027	-	-	-	389,027	724,437
Occupancy	5,808	132,928	90,934	229,670	72,580	24,472	97,052	326,722	332,795
Equipment, software and repairs	47,006	27,284	63,151	137,441	63,062	31,442	94,504	231,945	247,409
Advertising and marketing materials	66,521	18,536	58,015	143,072	16,101	5,596	21,697	164,769	25,489
Travel and transportation	68,175	43,226	19,260	130,661	8,088	15,441	23,529	154,190	147,379
Professional fees	1,954	2,990	64,397	69,341	68,206	12,680	80,886	150,227	121,859
Telecommunications	34,946	4,607	4,473	44,026	61,895	2,295	64,190	108,216	121,329
Bank and other service fees	5,534	-	72,038	77,572	9,544	-	9,544	87,116	89,006
Insurance	-	-	-	-	74,634	-	74,634	74,634	48,521
Membership fees	-	-	74,066	74,066	-	-	-	74,066	72,496
Meetings and conferences	10,834	14,321	27,073	52,228	3,975	587	4,562	56,790	53,339
Recruitment	19,941	-	9,040	28,981	13,560	-	13,560	42,541	38,219
Special events	818	283	800	1,901	136	39,454	39,590	41,491	80,137
Bad debt	2,865	6,684	-	9,549	-	30,020	30,020	39,569	37,538
Depreciation	-	-	18,089	18,089	19,700	1,649	21,349	39,438	33,374
Interest	-	-	-	-	38,151	-	38,151	38,151	41,359
Books, dues, subscriptions and filing fees	11,673	1,496	6,302	19,471	13,040	721	13,761	33,232	31,304
Postage and printing	407	2,894	9,741	13,042	10,427	7,688	18,115	31,157	43,376
Other	2,222	1,776	1,503	5,501	3,622	14,120	17,742	23,243	11,158
Office supplies	660	2,849	4,051	7,560	7,462	605	8,067	15,627	15,636
Total other operating costs	<u>279,399</u>	<u>605,084</u>	<u>566,715</u>	<u>1,451,198</u>	<u>484,183</u>	<u>186,770</u>	<u>670,953</u>	<u>2,122,151</u>	<u>2,316,160</u>
Total expenses	<u>\$ 5,970,922</u>	<u>\$ 2,303,373</u>	<u>\$ 4,101,358</u>	<u>\$ 12,375,653</u>	<u>\$ 1,506,880</u>	<u>\$ 677,204</u>	<u>\$ 2,184,084</u>	<u>\$ 14,559,737</u>	<u>\$ 13,766,350</u>

The accompanying notes are an integral part of these statements.

**EASTER SEALS MASSACHUSETTS, INC.**

Statement of Functional Expenses  
For the Year Ended August 31, 2018

	Program Services			Support Services				
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total
<b>Personnel and Related Costs:</b>								
Salaries and contracted services	\$ 4,239,006	\$ 1,446,511	\$ 2,742,035	\$ 8,427,552	\$ 735,440	\$ 425,800	\$ 1,161,240	\$ 9,588,792
Benefits	392,223	164,770	266,532	823,525	103,557	48,070	151,627	975,152
Payroll taxes	303,729	104,469	203,420	611,618	67,885	31,400	99,285	710,903
Net periodic pension cost	47,083	71,891	12,321	131,295	44,048	-	44,048	175,343
Total personnel and related costs	<u>4,982,041</u>	<u>1,787,641</u>	<u>3,224,308</u>	<u>9,993,990</u>	<u>950,930</u>	<u>505,270</u>	<u>1,456,200</u>	<u>11,450,190</u>
<b>Other Operating Costs:</b>								
Assistance to individuals	18	683,362	41,057	724,437	-	-	-	724,437
Occupancy	7,950	167,497	73,199	248,646	66,096	18,053	84,149	332,795
Equipment, software and repairs	36,274	69,179	59,273	164,726	47,739	34,944	82,683	247,409
Advertising and marketing materials	270	100	22,390	22,760	1,000	1,729	2,729	25,489
Travel and transportation	59,979	49,827	15,874	125,680	6,719	14,980	21,699	147,379
Professional fees	1,701	4,006	34,474	40,181	79,783	1,895	81,678	121,859
Telecommunications	38,598	6,177	4,454	49,229	69,854	2,246	72,100	121,329
Bank and other service fees	-	5	40,823	40,828	46,991	1,187	48,178	89,006
Insurance	-	-	-	-	48,521	-	48,521	48,521
Membership fees	-	-	72,496	72,496	-	-	-	72,496
Meetings and conferences	6,995	8,980	22,979	38,954	11,767	2,618	14,385	53,339
Recruitment	26,392	3,390	5,765	35,547	2,582	90	2,672	38,219
Special events	-	-	245	245	-	79,892	79,892	80,137
Bad debt	26,007	10,000	-	36,007	-	1,531	1,531	37,538
Depreciation	-	-	6,898	6,898	23,178	3,298	26,476	33,374
Interest	-	116	20	136	41,223	-	41,223	41,359
Books, dues, subscriptions and filing fees	11,082	2,225	7,252	20,559	7,840	2,905	10,745	31,304
Postage and printing	894	7,554	14,797	23,245	11,495	8,636	20,131	43,376
Other	1,995	2,370	2,410	6,775	916	3,467	4,383	11,158
Office supplies	1,679	2,965	2,750	7,394	6,738	1,504	8,242	15,636
Total other operating costs	<u>219,834</u>	<u>1,017,753</u>	<u>427,156</u>	<u>1,664,743</u>	<u>472,442</u>	<u>178,975</u>	<u>651,417</u>	<u>2,316,160</u>
Total expenses	<u>\$ 5,201,875</u>	<u>\$ 2,805,394</u>	<u>\$ 3,651,464</u>	<u>\$ 11,658,733</u>	<u>\$ 1,423,372</u>	<u>\$ 684,245</u>	<u>\$ 2,107,617</u>	<u>\$ 13,766,350</u>

The accompanying notes are an integral part of these statements.



## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 1. OPERATIONS AND NONPROFIT STATUS

#### Operations

Easter Seals Massachusetts, Inc. (the Organization) is a Massachusetts not-for-profit organization that provides services to ensure that children and adults with disabilities have equal opportunities to live, learn, work, and play. These services include rehabilitation services, recreational activities, employment and training services, technological assistance, advocacy, and public education programs that are provided in communities throughout Massachusetts. In addition, the Organization is the administrator of the Massachusetts Assistive Technology Loan Program (MATLP) (see Note 8). The Organization maintains its headquarters in Worcester, Massachusetts and has a technology and training center in Boston.

#### Nonprofit Status

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors can deduct contributions made to the Organization within the requirements of the IRC.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending August 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

On June 21, 2018, FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and reduce the current diversity in practice in accounting for grants and contributions. This standard will be effective for the fiscal year ending August 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

#### Revenue Recognition

Program fees include revenue from government contracts and fees for services provided to schools, health care facilities and individuals, and are recorded as the related services are rendered and the associated costs are incurred. Government contracts are subject to audit by the appropriate governmental agency. It is the position of management that the results of such audits, if any, will not have a material effect on the results of operations or the financial position of the Organization as of August 31, 2019 and 2018.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

Grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as net assets with donor restriction. Net assets with donor restriction are released from restriction as costs are incurred or time or program restrictions have been met. Donor restricted grants and contributions received and released in the same year are recorded as revenue without donor restriction.

Legacies are recorded upon receipt. Bequests are recorded when there is an irrevocable right to the bequest and the proceeds are determinable.

Revenue related to special events is generally recorded when the event occurs.

#### Deferred Revenue

Deferred revenue consists of program fees received in advance of being earned, as well as an advanced payment of approximately \$510,000 related to the assistive technology loan program.

#### Donated Goods and Services

Volunteers and other organizations contribute goods and services to the Organization in support of various aspects of its programs. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies or by management.

The value of these goods and services for the years ended August 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Advertising	\$ 143,373	\$ -
Computers	71,875	50,300
Special event expense	<u>1,762</u>	<u>-</u>
	<u>\$ 217,010</u>	<u>\$ 50,300</u>

The Organization receives a significant amount of other volunteer services and donated goods in various aspects of its programs. The value of these goods and services is not reflected in the accompanying financial statements, since the value is not ascertainable and does not meet the criteria for ASC Sub-Topic, *Accounting for Contributions Received and Contributions Made* in accordance with U.S. GAAP.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets, as well as the statements of functional expenses. Management has developed equitable methodologies for expense allocations that are carried out monthly. The Organization currently has five types of expense that are allocated in this manner: depreciation, occupancy, benefits and payroll taxes, program service management and administrative.

The expense allocation methodologies are the following:

- Depreciation – based on the department purchasing or using the asset.
- Occupancy – square footage utilized.
- Benefits and payroll taxes – each department’s weighted average of payroll expense for the month.
- Program service management – allocated only to program service departments based on a weighted average of all direct expenses as established at the beginning of the budget year.
- General and administrative – each department’s weighted average of all direct expenses for the month.

#### Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash

Cash in the accompanying statements of financial position, and for purposes of the statements of cash flows, consists of cash on hand in the Organization's operating checking account and excludes brokerage cash in the investment portfolio (see Note 3).

#### Restricted Cash

Restricted cash consists of advanced payments from the Massachusetts Rehabilitation Commission for the Organization's MATLP (see Note 8). Restricted cash is presented as long-term based on the intended usage of the cash for the program.

#### Net Assets

##### *Without Donor Restriction*

Net assets without donor restriction include those net resources of the Organization that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restriction into the following categories:

**Operating net assets** represent net assets which are available for operations.

**Property and equipment net assets** represent amounts expended and resources available for property and equipment, net of related debt.

**Board designated net assets** represent amounts designated for the Richard LaPierre Fund which are directed by the Board of Directors for specific purposes. These funds consist of endowment (see Note 4) and non-endowment assets and can be spent with the approval of the Board of Directors.

##### *With Donor Restriction*

Net assets with donor restriction include resources accumulated through contributions and other inflows of assets with donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those restrictions. Such resources will be without donor restriction when the requirements of the donor have been satisfied through expenditure for the specific purpose or program or through the passage of time. When donor restrictions have been met, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also include assets which are intended to be held in perpetuity, and the related accumulated unspent appreciation and earnings on such restricted funds. In accordance with Massachusetts law, all earnings and appreciation of a donor restricted endowment are restricted until appropriated by the Board of Directors.

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and other support and operating expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expense) include investment and pension obligation activity.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Program Fees and Contributions Receivable and Allowance

Program fees receivable are stated at the unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the balance will not be collected. Program fees receivable consist of the following as of August 31:

	<u>2019</u>	<u>2018</u>
Private payors	\$1,396,132	\$1,766,133
Commonwealth of Massachusetts	377,402	393,601
Less – allowance for doubtful accounts	<u>(4,322)</u>	<u>(96,010)</u>
	<u>\$1,769,212</u>	<u>\$2,063,724</u>

Contributions receivable consist of amounts committed by donors. Contributions are recorded at their net present value when unconditionally committed. An allowance for uncollectible contributions receivable is recorded based on management's analysis of specific accounts and collection history. As of August 31, 2019 and 2018, no allowance for contributions receivable was deemed necessary.

#### Investments and Investment Income

The Organization's investments in equity and debt securities are reported at fair value using quoted market prices. Alternative investments are also reported at fair value. In accordance with the ASC Sub-Topic, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the Organization used the alternative investment fund's net asset value per share to calculate and report the fair value of the alternative investment.

Realized and unrealized gains and losses are reflected in the accompanying statements of activities and changes in net assets and are included in net investment return. Investment income, and realized and unrealized gains and losses on investments are included in net assets without donor restriction unless the income or loss is restricted by donor or law.

Net investment return also includes investment income consisting of interest and dividends net of investment advisory fees of \$18,774 and \$28,864 for the years ended August 31, 2019 and 2018, respectively. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

#### Endowment

The Organization allocates investment income in accordance with donor restrictions and Massachusetts law, including the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Organization.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Endowment** (Continued)

The endowments include those net assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The Organization's endowment consists of the General Endowment Fund, the Richard A. LaPierre Pioneer Fund (the Pioneer Fund), and the Easter Seals Assistive Technology Endowment Fund, which supports the Organization's Assistive Technology program. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***Interpretation of Relevant Law***

Management of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date, of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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

- Duration and preservation of the fund.
- Purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- Possible effects of inflation and deflation.
- Expected total return from income and the appreciation of investments.
- Organization's other resources.
- Organization's investment policies.

#### ***Funds with Deficiencies***

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires in order to maintain the perpetual duration of the fund. Deficiencies of this nature are reported in net assets with donor restrictions and generally result from unfavorable market fluctuations. There were no deficiencies of this type as of August 31, 2019 and 2018.

#### ***Return Objectives and Risk Parameters***

The Organization has adopted an investment policy for its endowment investments that attempts to provide a predictable stream of funding to programs supported by its endowment. This investment policy is continuously monitored by the Organization's Investment Committee. To satisfy its long-term rate-of-return objectives, the investment policy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment policy targets a diversified asset allocation that places a greater emphasis on equity-based investments, including mutual funds, to achieve its long-term return objectives within prudent risk constraints.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Endowment (Continued)

##### *Spending Policy*

The donors have specified that income and appreciation on the Pioneer Fund may be spent to the extent that the Organization preserves the value of the original donations in constant dollars. Management estimates the constant dollar value based on changes in the United States Department of Labor Bureau of Statistics Consumer Price Index-All Urban Consumers (CPI-U). The entire constant dollar value of the Pioneer Fund has been classified as net assets with donor restrictions.

The donors have specified that up to fifty percent of the income and appreciation on the Easter Seals Assistive Technology Endowment Fund may be used for operations during the year. The Organization did not use any income to fund operations during the years ended August 31, 2019 and 2018.

In accordance with management's goal of building the value of the General Endowment Fund (see Note 9), none of the General Endowment Fund's accumulated appreciation or earnings have been appropriated for expenditure during the years ended August 31, 2019 and 2018.

#### Property and Equipment and Depreciation

Property and equipment acquisitions are recorded at cost, if purchased, or at fair value at the time of donation, if donated. The Organization's capitalization threshold is \$5,000 with a useful life of greater than one year. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	3 - 10 years
Building and improvements	10 - 25 years

#### Pension Plan

The Organization sponsors a noncontributory defined benefit pension plan. The Organization's policy is to fund the required contribution necessary to meet the present and future obligations of the plan (see Note 11).

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at August 31, 2019 and 2018. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Advertising and Promotional Costs

The Organization expenses advertising and promotional costs as incurred. During the years ended August 31, 2019 and 2018, the Organization incurred advertising expenses, including donated goods and services (see page 8), of \$164,769 and \$25,489, respectively, which are reflected as advertising and marketing materials on the accompanying statements of functional expenses.

#### Subsequent Events

Subsequent events have been evaluated through November 19, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

### 3. INVESTMENTS

Investments are stated at fair value as of August 31, 2019 and 2018, and consist of the following:

Investment Type	2019			Total
	Level 1	Level 2	Level 3	
Brokerage Cash	\$ 83,690	\$ -	\$ -	\$ 83,690
Equity Securities:				
Consumer Sector	1,356,762	-	-	1,356,762
Information Technology Sector	806,042	-	-	806,042
Health Care Sector	396,847	-	-	396,847
Financial Sector	274,639	-	-	274,639
Total Equity Securities	<u>2,834,290</u>	<u>-</u>	<u>-</u>	<u>2,834,290</u>
Fixed Income:				
Domestic Corporate Bonds	-	1,204,028	-	1,204,028
U.S. Government Bonds	-	422,771	-	422,771
U.S. Government Agency Bonds	-	38,503	-	38,503
Total Fixed Income	<u>-</u>	<u>1,665,302</u>	<u>-</u>	<u>1,665,302</u>
Mutual Funds:				
Equity	549,096	-	-	549,096
Fixed Income	386,003	-	-	386,003
Total Mutual Funds	<u>935,099</u>	<u>-</u>	<u>-</u>	<u>935,099</u>
Alternative Investments*	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,353</u>
Total Investments	<u>\$ 3,853,079</u>	<u>\$ 1,665,302</u>	<u>\$ -</u>	<u>\$ 5,707,734</u>



**EASTER SEALS MASSACHUSETTS, INC.**Notes to Financial Statements  
August 31, 2019 and 2018**3. INVESTMENTS (Continued)**

<u>Investment Type</u>	<b>2018</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Brokerage Cash	\$ 107,903	\$ -	\$ -	\$ 107,903
Equity Securities:				
Consumer Sector	1,280,170	-	-	1,280,170
Information Technology Sector	858,902	-	-	858,902
Health Care Sector	415,573	-	-	415,573
Financial Sector	319,898	-	-	319,898
Total Equity Securities	<u>2,874,543</u>	<u>-</u>	<u>-</u>	<u>2,874,543</u>
Fixed Income:				
Domestic Corporate Bonds	-	1,240,638	-	1,240,638
U.S. Government Bonds	-	126,839	-	126,839
U.S. Government Agency Bonds	-	37,056	-	37,056
Total Fixed Income	<u>-</u>	<u>1,404,533</u>	<u>-</u>	<u>1,404,533</u>
Mutual Funds:				
Equity	541,960	-	-	541,960
Fixed Income	376,107	-	-	376,107
Total Mutual Funds	<u>918,067</u>	<u>-</u>	<u>-</u>	<u>918,067</u>
Alternative Investments*	-	-	-	158,654
Total Investments	<u>\$ 3,900,513</u>	<u>\$ 1,404,533</u>	<u>\$ -</u>	<u>\$ 5,463,700</u>

\* In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Equity securities* are valued at the daily closing price as reported by the exchange on which the applicable security is traded (active market).

*Mutual funds* are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Corporate and government bonds* are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available. Corporate and government bonds seek to preserve capital while also providing a competitive level of income over time.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 3. INVESTMENTS (Continued)

*Alternative investments* are valued at the fair value of those financial assets based on the NAV of those assets. Absent the development of quantitative unobservable inputs by the Organization, the pricing for these assets is based on third-party pricing information, without adjustment by the Organization.

There have been no changes in the fair value measurement methodologies used for the years ended August 31, 2019 and 2018.

Investments are not insured and are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term. These changes could materially affect the amounts reported in the statements of financial position and the statements activities and changes in net assets.

Investments are classified as long term based on management's intent.

The alternative investment strategy relating to the Organization's investment in the Advantage Advisers Xanthus Fund, LLC (the Fund) is to achieve maximum capital appreciation. To do this, the Fund invests in a portfolio consisting generally of U.S. and foreign companies that its investment advisors believe are well positioned to benefit from demand for their products or services, particularly companies that can innovate or grow rapidly relative to their peers in the market.

### 4. ENDOWMENT

The change in the endowment balance by net asset classification for the years ended August 31, 2019 and 2018, consists of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2017	\$ 52,828	\$ 1,225,606	\$ 1,278,434
Investment returns:			
Interest and dividend income, net of fees	3,796	13,165	16,961
Net realized and unrealized gains	-	131,993	131,993
Total investment returns	<u>3,796</u>	<u>145,158</u>	<u>148,894</u>
Endowment net assets, August 31, 2018	<u>56,624</u>	<u>1,370,764</u>	<u>1,427,388</u>
Investment returns:			
Interest and dividend income, net of fees	37,701	27,809	65,510
Net realized and unrealized losses	-	(14,380)	(14,380)
Total investment returns	<u>37,701</u>	<u>13,429</u>	<u>51,130</u>
Endowment net assets, August 31, 2019	<u>\$ 94,325</u>	<u>\$ 1,384,193</u>	<u>\$ 1,478,518</u>

**EASTER SEALS MASSACHUSETTS, INC.**Notes to Financial Statements  
August 31, 2019 and 2018

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**5. PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 1,069,825	\$ 1,074,785
Building and improvements	<u>636,355</u>	<u>636,355</u>
	1,706,180	1,711,140
Less - accumulated depreciation	<u>1,556,412</u>	<u>1,516,974</u>
	<u>\$ 149,768</u>	<u>\$ 194,166</u>

Depreciation expense for the years ended August 31, 2019 and 2018, totaled \$39,438 and \$33,374, respectively.

**6. LINE OF CREDIT**

The Organization maintains a \$1,150,000 secured revolving line of credit with a bank, which is in effect until terminated by the bank or the Organization. Interest on borrowings is payable monthly at the bank's corporate base lending rate (5.00% and 3.00% at August 31, 2019 and 2018, respectively). Principal is due on demand and the line of credit is secured by the investments without donor restrictions of the Organization. As of August 31, 2019 and 2018, the line of credit secures a letter of credit issued for the Commonwealth of Massachusetts Division of Professional Licensure in the amount of \$5,000. There were no outstanding balances on the line of credit as of August 31, 2019 or 2018.

**7. NOTE PAYABLE**

The Organization is party to a note payable agreement, with an original principal amount of \$1,000,000, maturing in April 2024. The note bears interest at a fixed rate of 5.00%. The note payable is due in monthly principal and interest installments of \$10,626 through maturity. All outstanding principal is due at maturity or may be paid early without penalty. The note is secured by the investments without donor restrictions of the Organization. As of August 31, 2019 and 2018, there was \$528,879 and \$626,871 outstanding under this agreement, respectively.

Based on the above terms, the future minimum principal payments on the note payable are as follows:

2020	\$ 102,999
2021	\$ 108,411
2022	\$ 114,037
2023	\$ 119,954
2024	\$ 83,478

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 8. ASSETS HELD FOR OTHERS

The MATLP helps people with disabilities apply for and obtain low interest bank loans for assistive technology devices and services. The MATLP was established in 2004 with a combination of Federal and state funding and is governed by the Massachusetts Assistive Technology Loan Program Committee (the Committee), a group comprised of fifteen (15) members who were initially appointed jointly by the Organization and the Massachusetts Rehabilitation Commission. Remaining members of the Committee now appoint individuals to fill any vacancies on the Committee.

The Committee has contracted with the Organization to provide daily program management and operation under the guidance of the Committee and to serve as custodian of the assets that support the MATLP. The Organization's responsibilities under the contract include staffing, budget preparation and maintenance as directed by the Committee, direct services to clients and bank liaisons, preparation of monthly and annual reports for the Committee and various other agencies and committees, and oversight of the assets which support the MATLP. The contract remains in effect until otherwise modified and may be terminated by either the Organization or the Committee upon ninety (90) days written notice.

The MATLP assets are maintained in an investment portfolio that is separate from the Organization's investments. Since these assets are not the property of the Organization, they do not serve as collateral for the Organization's debt (see Notes 6 and 7). These assets are shown as assets held for others with a corresponding liability of an equal amount in the amounts of \$618,384 and \$725,489 in the accompanying statements of financial position as of August 31, 2019 and 2018, respectively.

The Organization is reimbursed for expenses incurred on behalf of the MATLP and receives a management fee based on a percentage of actual operating expenses incurred in the administration of the MATLP as compensation. The amount earned by the Organization was \$299,783 and \$180,945 for the years ended August 31, 2019 and 2018, respectively, and are included in program fees in the accompanying statements of activities and changes in net assets.

### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at August 31:

	<u>2019</u>	<u>2018</u>
<b>Subject to the Organization's endowment spending policy and appropriation:</b>		
Investment in perpetuity (including amounts above the original gifts of \$785,200 and \$783,327 as of August 31, 2019 and 2018, respectively)		
Richard A. LaPierre Pioneer Fund	\$ 785,033	\$ 756,887
Assistive Technology Endowment Fund	385,536	365,995
General Endowment Fund	<u>213,624</u>	<u>247,882</u>
	<u>1,384,193</u>	<u>1,370,764</u>
<b>Subject to expenditure for specified purpose:</b>		
Matthew V. Joslin Fund for Unmet Needs	82,618	85,772
Elmer C. Bartles/Camp Scholarship Fund	46,900	46,353
Other	<u>10,000</u>	<u>-</u>
	<u>139,518</u>	<u>132,125</u>
Total net assets with donor restrictions	<u>\$ 1,523,711</u>	<u>\$ 1,502,889</u>

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The donors have specified that five percent of the monthly average value of both the Elmer C. Bartels/Camp Scholarship Fund and the Matthew V. Joslin Fund for Unmet Needs over the preceding fiscal year shall be made available for distribution.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31:

	<u>2019</u>	<u>2018</u>
<b>Subject to expenditure for specified purpose:</b>		
Matthew V. Joslin Fund for Unmet Needs	<u>\$ 4,501</u>	<u>\$ 4,935</u>

### 10. LEASE AGREEMENT

The Technology and Training Center in Boston is leased under an operating lease which was renewed in August 2019 through July 2024. Monthly payments range between \$7,111 and \$7,314 over the term of the lease and requires the Organization to maintain certain insurance coverage, and pay its proportionate share of operating expenses. Rent expense for the Boston facility for the years ended August 31, 2019 and 2018, was \$186,506 and \$190,997, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Future minimum lease payments due under the non-cancelable operating lease obligation are as follows as of August 31:

2020	\$ 85,330
2021	85,330
2022	85,533
2023	87,768
2024	<u>80,454</u>
Total minimum lease payments	<u>\$ 424,415</u>

### 11. RETIREMENT PLANS

The Organization offers a defined benefit pension plan (the Plan). Benefits under the Plan are based on certain service requirements. The Plan was frozen as of October 1, 2002. Benefits earned up until October 1, 2002, were based on years of service and amount of compensation.

**EASTER SEALS MASSACHUSETTS, INC.**Notes to Financial Statements  
August 31, 2019 and 2018**11. RETIREMENT PLANS (Continued)****Benefit Obligation and Funded Status**

A summary of changes in the benefit obligation, Plan assets and funded status for the years ended August 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 8,920,153	\$ 9,383,569
Interest cost	340,891	322,698
Benefits disbursed	(670,243)	(672,961)
Actuarial (gains) losses	<u>907,952</u>	<u>(113,153)</u>
Projected benefit obligation, end of year	<u>9,498,753</u>	<u>8,920,153</u>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	6,826,241	7,055,427
Actual return on plan assets	510,038	168,775
Employer contributions	325,000	275,000
Benefits disbursed plus actual expenses	<u>(670,243)</u>	<u>(672,961)</u>
Fair value of plan assets, end of year	<u>6,991,036</u>	<u>6,826,241</u>
Unfunded Status, end of year	<u>\$ 2,507,717</u>	<u>\$ 2,093,912</u>

The following table summarize the Plan's funded status and amounts recognized in the accompanying statements of financial position as of August 31:

	<u>2019</u>	<u>2018</u>
Accrued pension benefit obligation recognized in the statements of financial position	<u>\$ 2,507,717</u>	<u>\$ 2,093,912</u>

Amounts recognized in the statement of activities and changes in net assets for the year ended August 31:

	<u>2019</u>	<u>2018</u>
Pension-related change other than periodic pension cost	\$ 513,017	\$ (134,573)
Net periodic pension cost	<u>225,788</u>	<u>175,343</u>
Total recognized cost	<u>\$ 738,805</u>	<u>\$ 40,770</u>

Net periodic pension cost is included in operating expenses on the accompanying statements of functional expenses in accordance with ASC 715 *Compensation – Retirement Plans*. These amounts represent service costs, interest, and actuarial gains/losses, which are non-cash expenses of the Organization and reflective of estimates and actuarial assumptions.

**EASTER SEALS MASSACHUSETTS, INC.**Notes to Financial Statements  
August 31, 2019 and 2018**11. RETIREMENT PLANS (Continued)****Benefit Obligation and Funded Status (Continued)**

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions:

	<u>2019</u>	<u>2018</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the beginning of the year	\$ 4,606,996	\$ 4,741,569
Net (gain) loss during the year	<u>513,017</u>	<u>(134,573)</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the end of the year	<u>\$ 5,120,013</u>	<u>\$ 4,606,996</u>

Weighted-average assumptions used in determining the benefit obligation and the net periodic benefit costs as of August 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Discount rate – benefit obligations	2.95%	3.95%
Discount rate – net periodic benefit cost	3.95%	3.55%
Expected long-term rate of return on Plan assets	5.75%	6.00%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return on Plan assets was determined based on the average rate of earnings expected to be earned on the current and target asset allocations.

The Organization expects to contribute \$300,000 to the Plan for the year ended August 31, 2020.

The following benefit payments to retired plan beneficiaries from the plan, as appropriate, are expected to be paid over the next ten years:

2020	\$ 590,000
2021	600,000
2022	590,000
2023	590,000
2024	590,000
2025 - 2029	<u>2,950,000</u>
	<u>\$ 5,910,000</u>

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 11. RETIREMENT PLANS (Continued)

#### Benefit Obligation and Funded Status (Continued)

Plan funding is actuarially determined and is subject to certain tax law limitations. Substantially all Plan assets are actively managed. Target allocation percentages and the weighted-average asset allocations for each major category of Plan assets as of August 31, 2019 and 2018, are as follows:

	2019		2018	
	Allocation Target	Weighted-Average Asset Allocation	Allocation Target	Weighted-Average Asset Allocation
Equity investments	70.00%	40.00%	70.00%	39.00%
Fixed income	30.00	60.00	30.00	61.00
Cash/cash equivalents	0.00	0.00	0.00	0.00
Other – insurance contract	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The investment strategy for Plan assets is to utilize a diversified mix of equity and fixed income investments to earn a long-term investment return that meets the Organization's pension plan obligations. Active management strategies are utilized within the Plan in an effort to realize investment returns in excess of market indices.

To arrive at the targeted asset allocation, the Organization and its investment adviser reviewed market opportunities using historic and statistical data, as well as the actuarial valuation report for the Plan, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, the Organization's management believes that there are no significant concentrations of risk associated with the Plan assets.

The Organization's pension cost is affected by the discount rate used to measure pension obligations, the level of Plan assets available to fund those obligations at the measurement date, and the expected long-term rate of return on Plan assets. The Organization reviews the assumptions used to measure pension costs, including the discount rate and the expected long-term rate of return on pension assets, on an annual basis. Economic and market conditions at the measurement date impact these assumptions from year-to-year and it is reasonably possible that material changes in pension cost may be experienced in the future.

Establishing the expected future rate of investment return on the Plan's pension assets is a judgmental matter. The Organization considers the following factors in determining this assumption:

- The duration of the pension plan liabilities, which drives the investment strategy employed with respect to Plan assets;
- The types of investment classes in which Plan assets are invested, and the expected compound return that can reasonably be expected of those investment classes to earn over the next ten to fifteen-year time period (or such other time period that may be appropriate); and
- The investment returns the Plan can reasonably expect its active investment management program to achieve in excess of the return that could be expected if investments were made strictly in indexed funds.



**EASTER SEALS MASSACHUSETTS, INC.**Notes to Financial Statements  
August 31, 2019 and 2018**11. RETIREMENT PLANS (Continued)****Benefit Obligation and Funded Status (Continued)**

The Organization reviews the expected long-term rate of return on an annual basis and revises it as appropriate. Also, the Organization relies on detailed asset/liability studies performed by third-party professional investment advisors and actuaries. These studies project the Organization's estimated future pension payments and evaluate the efficiency of the allocation of the Organization's Plan assets into various investment categories. The study performed for 2015 supported the reasonableness of the Organization's 6.00% return assumption used for 2019 and 2018, based on its liability duration and market conditions at the time this assumption was set. The Organization believes that these assumptions are appropriate based upon the mix of the investments and the long-term nature of the Plan's investments.

The following table presents information about the Plan assets measured at fair value as of August 31, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

<u>Description</u>	<b>2019</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity Securities:				
U.S. Large Cap	\$ 1,179,731	\$ -	\$ -	\$ 1,179,731
International	1,187,983	-	-	1,187,983
U.S. Small and Mid-Cap	412,586	-	-	412,586
Fixed Income	<u>4,210,736</u>	<u>-</u>	<u>-</u>	<u>4,210,736</u>
Total Plan Assets	<u>\$ 6,991,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,991,036</u>

<u>Description</u>	<b>2018</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity Securities:				
U.S. Large Cap	\$ 1,120,229	\$ -	\$ -	\$ 1,120,229
International	1,294,160	-	-	1,294,160
U.S. Small and Mid-Cap	246,704	-	-	246,704
Fixed Income	<u>4,165,148</u>	<u>-</u>	<u>-</u>	<u>4,165,148</u>
Total Plan Assets	<u>\$ 6,826,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,826,241</u>

The fair value of equity securities is based on publicly quoted values on the last business day of the year.

Investments in mutual funds are based on the publicly-quoted net asset values on the last business day of the year.

The fair value of cash accounts approximates the carrying value as of the date of the statements of financial position, due to the short-term maturities of these assets.

The fair value of the pension liability was determined by a third-party professional investment advisor and actuary. The Organization relies on detailed asset/liability studies performed by these parties. These studies project the Organization's estimated future pension payments and evaluate the efficiency of the allocation of the Organization's Plan assets into various investments categories. The valuation methodology uses observable inputs in calculating fair value.

## **EASTER SEALS MASSACHUSETTS, INC.**

Notes to Financial Statements  
August 31, 2019 and 2018

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### **11. RETIREMENT PLANS (Continued)**

#### **Defined Contribution Plan**

The Organization sponsors a defined contribution plan covering substantially all of its employees who meet certain eligibility requirements. The Organization may make discretionary matching contributions to the plan as periodically determined. During the years ended August 31, 2019 and 2018, the Organization made discretionary matching contributions to the plan in the amounts of \$43,575 and \$36,369, respectively.

### **12. RELATED PARTY TRANSACTIONS**

The Organization is an affiliate of and pays membership fees to Easter Seals, Inc. (National) in return for the exclusive right to the Easter Seals name in Massachusetts. These fees totaled \$74,066 and \$72,496 for each of the years ended August 31, 2019 and 2018, respectively, which are reflected as membership fees on the accompanying statements of functional expenses. In addition, the Organization paid National \$2,126 and \$4,487 for other materials and services for the years ended August 31, 2019 and 2018, respectively, which is included in advertising and marketing materials in the accompanying statements of functional expenses. The Organization had no amounts due to National as of August 31, 2019 and 2018.

### **13. CONCENTRATIONS**

#### **Credit Risk**

The Organization maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash.

#### **Funding**

The Organization derives significant revenue from the Commonwealth of Massachusetts (the Commonwealth). Revenue from the Commonwealth represents 30% of the Organization's program fee revenue for the years ended August 31, 2019 and 2018. As of August 31, 2019 and 2018, 21% and 19%, respectively, of the Organization's program fees receivable were due from the Commonwealth.

At August 31, 2019, outstanding contributions receivable from three donors represented approximately 30% of the contributions receivable balance. At August 31, 2018, outstanding contributions receivable from four donors represented approximately 59% of the contributions receivable balance.

### **14. INDEMNIFICATIONS**

In the ordinary course of business, the Organization enters into various agreements containing standard indemnification provisions. The Organization's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Organization under such indemnification provisions is uncertain. As of August 31, 2019 and 2018, no amounts have been accrued related to such indemnification provisions.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2019 and 2018

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### 15. LIQUIDITY

Financial assets available for use by the Organization within one year from the statements of financial position dates are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 472,523	\$ 76,003
Program fees receivable, net of allowance	1,769,212	2,063,724
Contributions receivable	<u>105,412</u>	<u>221,801</u>
Total	<u>\$ 2,347,147</u>	<u>\$ 2,361,528</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of August 31, 2019 and 2018, the Organization has financial assets equal to approximately two months of operating expenses. In addition, the Organization has a line of credit agreement (see Note 6) which allows for additional available borrowings up to \$1,150,000.

### 16. RECLASSIFICATIONS

Certain immaterial amounts in the fiscal year 2018 financial statements have been reclassified to conform to the fiscal year 2019 presentation.