



**FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020**

EASTER SEALS MASSACHUSETTS, INC.

Contents
August 31, 2021 and 2020

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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, 2021 and 2020, 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, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
November 22, 2021

EASTER SEALS MASSACHUSETTS, INC.Statements of Financial Position
August 31, 2021 and 2020

Assets	2021	2020
Current Assets:		
Cash	\$ 1,908,807	\$ 2,065,292
Program fees receivable, net	787,747	453,851
Grants and contributions receivable	630,457	734,668
Prepaid expenses and other	194,370	214,573
Total current assets	<u>3,521,381</u>	<u>3,468,384</u>
Restricted Cash	472,782	498,661
Investments	13,788,002	6,832,777
Assets Held for Others	1,469,154	627,271
Property and Equipment, net	<u>120,513</u>	<u>105,521</u>
Total assets	<u><u>\$ 19,371,832</u></u>	<u><u>\$ 11,532,614</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of note payable	\$ 112,592	\$ 107,038
Accounts payable and accrued expenses	1,179,325	868,473
Current portion of pension benefit obligation	-	360,000
Advances for AT loans	515,818	513,461
Deferred revenue	348,098	248,415
Total current liabilities	<u>2,155,833</u>	<u>2,097,387</u>
Note Payable, net of current portion	232,419	345,046
Assets Held for Others	1,469,154	627,271
Pension Benefit Obligation, net of current portion	<u>-</u>	<u>1,993,447</u>
Total liabilities	<u>3,857,406</u>	<u>5,063,151</u>
Net Assets:		
Without donor restrictions:		
Operating	13,230,278	4,546,424
Property and equipment	<u>120,513</u>	<u>105,521</u>
Total without donor restrictions	<u>13,350,791</u>	<u>4,651,945</u>
With donor restrictions	<u>2,163,635</u>	<u>1,817,518</u>
Total net assets	<u>15,514,426</u>	<u>6,469,463</u>
Total liabilities and net assets	<u><u>\$ 19,371,832</u></u>	<u><u>\$ 11,532,614</u></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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Other Support:						
Grants and contributions	\$ 6,745,616	\$ 78,805	\$ 6,824,421	\$ 2,657,590	\$ 38,615	\$ 2,696,205
Program fees	6,795,225	-	6,795,225	5,667,377	-	5,667,377
Government grants	4,852,126	-	4,852,126	4,439,994	-	4,439,994
Legacies and bequests	693,046	-	693,046	822,781	-	822,781
Special events	126,967	-	126,967	356,962	-	356,962
Donated goods and services	5,995	-	5,995	14,070	-	14,070
Total operating revenue and other support	<u>19,218,975</u>	<u>78,805</u>	<u>19,297,780</u>	<u>13,958,774</u>	<u>38,615</u>	<u>13,997,389</u>
Operating Expenses:						
Program services	10,611,579	-	10,611,579	10,958,184	-	10,958,184
General and administrative	1,703,263	-	1,703,263	1,501,101	-	1,501,101
Fundraising	475,293	-	475,293	497,291	-	497,291
Total operating expenses	<u>12,790,135</u>	<u>-</u>	<u>12,790,135</u>	<u>12,956,576</u>	<u>-</u>	<u>12,956,576</u>
Changes in net assets from operations	<u>6,428,840</u>	<u>78,805</u>	<u>6,507,645</u>	<u>1,002,198</u>	<u>38,615</u>	<u>1,040,813</u>
Non-Operating Revenue (Expense):						
Net investment return	1,227,036	267,312	1,494,348	877,687	255,192	1,132,879
Pension-related change other than periodic pension cost	1,042,970	-	1,042,970	(21,774)	-	(21,774)
Total non-operating revenue (expense)	<u>2,270,006</u>	<u>267,312</u>	<u>2,537,318</u>	<u>855,913</u>	<u>255,192</u>	<u>1,111,105</u>
Changes in net assets	<u>8,698,846</u>	<u>346,117</u>	<u>9,044,963</u>	<u>1,858,111</u>	<u>293,807</u>	<u>2,151,918</u>
Net Assets:						
Beginning of year	<u>4,651,945</u>	<u>1,817,518</u>	<u>6,469,463</u>	<u>2,793,834</u>	<u>1,523,711</u>	<u>4,317,545</u>
End of year	<u>\$ 13,350,791</u>	<u>\$ 2,163,635</u>	<u>\$ 15,514,426</u>	<u>\$ 4,651,945</u>	<u>\$ 1,817,518</u>	<u>\$ 6,469,463</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 9,044,963	\$ 2,151,918
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	36,596	44,247
Bad debt	80,393	32,236
Net realized and unrealized gains on investments	(1,415,849)	(1,040,934)
Change in pension benefit obligation	(852,702)	200,730
Changes in operating assets and liabilities:		
Program fees receivable	(414,289)	733,879
Grants and contributions receivable	104,211	(80,010)
Prepaid expenses and other	129,458	(153,760)
Accounts payable and accrued expenses	310,852	38,746
Advances for AT loans	2,357	4,874
Deferred revenue	99,683	167,662
	<u>7,125,673</u>	<u>2,099,588</u>
Cash Flows from Investing Activities:		
Proceeds from sales of investments	454,239	507,191
Purchase of investments	(5,993,615)	(591,300)
Purchase of property and equipment	(51,588)	-
	<u>(5,590,964)</u>	<u>(84,109)</u>
Cash Flows from Financing Activities:		
Principal payments on notes payable	(107,073)	(76,795)
Pension benefit contribution	(1,610,000)	(355,000)
	<u>(1,717,073)</u>	<u>(431,795)</u>
Net Change in Cash and Restricted Cash	<u>(182,364)</u>	<u>1,583,684</u>
Cash and Restricted Cash:		
Beginning of year	<u>2,563,953</u>	<u>980,269</u>
End of year	<u>\$ 2,381,589</u>	<u>\$ 2,563,953</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 20,445</u>	<u>\$ 25,486</u>
Reconciliation of Cash and Restricted Cash Reported Within the Statements of Financial Position:		
Cash	\$ 1,908,807	\$ 2,065,292
Restricted cash	<u>472,782</u>	<u>498,661</u>
Total cash and restricted cash	<u>\$ 2,381,589</u>	<u>\$ 2,563,953</u>

EASTER SEALS MASSACHUSETTS, INC.

Statement of Functional Expenses

For the Year Ended August 31, 2021

(With Summarized Comparative Totals for the Year Ended August 31, 2020)

	2021							2020	
	Program Services				Support Services			Total	Total
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Personnel and Related Costs:									
Salaries and contracted services	\$ 3,641,947	\$ 1,320,498	\$ 2,717,610	\$ 7,680,055	\$ 939,387	\$ 272,255	\$ 1,211,642	\$ 8,891,697	\$ 9,161,844
Benefits	412,580	230,654	429,009	1,072,243	267,485	40,248	307,733	1,379,976	1,327,239
Payroll taxes	235,040	81,918	175,673	492,631	54,845	16,914	71,759	564,390	656,609
Total personnel and related costs	4,289,567	1,633,070	3,322,292	9,244,929	1,261,717	329,417	1,591,134	10,836,063	11,145,692
Other Operating Costs:									
Assistance to individuals	373	543,800	53,490	597,663	96	14,542	14,638	612,301	530,352
Equipment, software and repairs	24,354	50,659	83,428	158,441	65,974	34,877	100,851	259,292	180,136
Occupancy	5,808	81,090	53,130	140,028	57,280	16,378	73,658	213,686	216,085
Professional fees	2,130	1,260	31,427	34,817	89,837	46,161	135,998	170,815	160,159
Membership fees	-	-	88,474	88,474	-	-	-	88,474	76,864
Telecommunications	13,276	4,863	3,520	21,659	62,944	480	63,424	85,083	80,772
Bank and other service fees	-	-	70,839	70,839	4,465	5,551	10,016	80,855	89,468
Bad debt	60,295	20,098	-	80,393	-	-	-	80,393	32,236
Travel and transportation	50,024	24,705	2,233	76,962	534	-	534	77,496	91,676
Insurance	924	-	-	924	72,569	-	72,569	73,493	74,553
Depreciation	-	-	23,553	23,553	13,043	-	13,043	36,596	44,247
Books, dues, subscriptions and filing fees	8,985	3,658	9,535	22,178	10,555	57	10,612	32,790	30,581
Postage and printing	-	2,332	4,127	6,459	21,725	1,166	22,891	29,350	30,717
Recruitment	5,965	250	2,998	9,213	14,061	105	14,166	23,379	29,892
Meetings and conferences	2,473	14,318	3,854	20,645	868	-	868	21,513	30,626
Interest	-	-	-	-	20,445	-	20,445	20,445	25,486
Other	-	260	428	688	2,206	14,179	16,385	17,073	10,097
Special events	1,395	506	1,438	3,339	360	11,852	12,212	15,551	40,711
Advertising and marketing materials	-	2,500	5,396	7,896	1,000	-	1,000	8,896	9,176
Office supplies	1,018	243	1,218	2,479	3,584	528	4,112	6,591	27,050
Total other operating costs	177,020	750,542	439,088	1,366,650	441,546	145,876	587,422	1,954,072	1,810,884
Total expenses	\$ 4,466,587	\$ 2,383,612	\$ 3,761,380	\$ 10,611,579	\$ 1,703,263	\$ 475,293	\$ 2,178,556	\$ 12,790,135	\$ 12,956,576

EASTER SEALS MASSACHUSETTS, INC.

Statement of Functional Expenses
For the Year Ended August 31, 2020

	Program Services				Support Services			Total
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	
Personnel and Related Costs:								
Salaries and contracted services	\$ 3,961,992	\$ 1,393,516	\$ 2,664,624	\$ 8,020,132	\$ 863,715	\$ 277,997	\$ 1,141,712	\$ 9,161,844
Benefits	510,233	263,517	361,988	1,135,738	152,242	39,259	191,501	1,327,239
Payroll taxes	276,931	100,050	199,996	576,977	58,098	21,534	79,632	656,609
Total personnel and related costs	<u>4,749,156</u>	<u>1,757,083</u>	<u>3,226,608</u>	<u>9,732,847</u>	<u>1,074,055</u>	<u>338,790</u>	<u>1,412,845</u>	<u>11,145,692</u>
Other Operating Costs:								
Assistance to individuals	-	495,394	34,958	530,352	-	-	-	530,352
Equipment, software and repairs	214	62,664	25,005	87,883	66,453	25,800	92,253	180,136
Occupancy	5,808	80,897	52,181	138,886	61,026	16,173	77,199	216,085
Professional fees	3,679	1,394	41,243	46,316	67,690	46,153	113,843	160,159
Membership fees	-	-	76,864	76,864	-	-	-	76,864
Telecommunications	12,927	3,643	3,517	20,087	59,478	1,207	60,685	80,772
Bank and other service fees	-	-	82,124	82,124	556	6,788	7,344	89,468
Bad debt	18,303	-	-	18,303	-	13,933	13,933	32,236
Travel and transportation	35,375	32,653	13,221	81,249	4,887	5,540	10,427	91,676
Insurance	-	-	-	-	74,553	-	74,553	74,553
Depreciation	-	-	29,280	29,280	14,967	-	14,967	44,247
Books, dues, subscriptions and filing fees	8,647	3,074	9,851	21,572	8,748	261	9,009	30,581
Postage and printing	202	3,640	6,754	10,596	18,731	1,390	20,121	30,717
Recruitment	20,530	1,079	2,358	23,967	5,925	-	5,925	29,892
Meetings and conferences	3,215	12,943	10,096	26,254	3,903	469	4,372	30,626
Interest	-	-	-	-	25,486	-	25,486	25,486
Other	791	1,062	1,423	3,276	3,187	3,634	6,821	10,097
Special events	-	-	1,331	1,331	3,327	36,053	39,380	40,711
Advertising and marketing materials	-	164	8,012	8,176	1,000	-	1,000	9,176
Office supplies	7,228	4,363	7,230	18,821	7,129	1,100	8,229	27,050
Total other operating costs	<u>116,919</u>	<u>702,970</u>	<u>405,448</u>	<u>1,225,337</u>	<u>427,046</u>	<u>158,501</u>	<u>585,547</u>	<u>1,810,884</u>
Total expenses	<u>\$ 4,866,075</u>	<u>\$ 2,460,053</u>	<u>\$ 3,632,056</u>	<u>\$ 10,958,184</u>	<u>\$ 1,501,101</u>	<u>\$ 497,291</u>	<u>\$ 1,998,392</u>	<u>\$ 12,956,576</u>

The accompanying notes are an integral part of these statements.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

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).

Revenue Recognition

The Organization's primary sources of revenue include revenue from government grants and fees for services provided to schools, health care facilities and individuals. Amounts received under grants from various state and local agencies, grants and contributions, and legacies and bequests have been recorded in accordance with ASC Subtopic 958-605 (see below). Program fees and a portion of special events income are recorded in accordance with ASC Topic 606.

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barriers or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as refundable advance liabilities until such conditions are met. See Note 16 for disclosure of the Organization's conditional grants at August 31, 2021 and 2020.

Revenue from Federal, state and private grant agreements, which are generally considered non-exchange transactions, are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenues are recognized upon meeting of said conditions. Funding received in advance of recognition is recorded as refundable advances.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

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 restrictions. Net assets with donor restrictions are released from restrictions 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 restrictions.

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

Program Fees

The Organization generally measures revenue from exchange transactions based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue recognition based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Program fees revenue represents fees for rehabilitation, therapy, transitional assistive technology, student services and other services provided to schools, health care facilities, and individuals. Program fees contain a single performance obligation (hours of service) and revenue is recognized over time as the services are rendered (output method), provided that no significant obligations remain, and collection of the receivable is considered probable. Program fees are invoiced monthly and are due within thirty days of invoice.

When determining the transaction price of a contract, an adjustment is made if payment from a customer occurs either significantly before or significantly after performance, resulting in a significant financing component. Applying the practical expedient in ASC paragraph 606-10-32-18, the Organization does not assess whether a significant financing component exists if the period between when it performs its obligations under the contract and when the customer pays is one year or less. None of the Organization's contracts contained a significant financing component as of August 31, 2021 and 2020.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by attendees represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Organization. The Organization considers \$126,967 and \$348,542 to be a contribution to the Organization for the years ended August 31, 2021 and 2020, respectively. For the year ended August 31, 2020, the Organization considers \$8,420 to be the exchange component. There was no exchange component for the year ended August 31, 2021, as all events were virtual. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event revenues and contributions are recognized in the period the event takes place.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue consists of program fees received in advance of being earned as of August 31, 2021 and 2020.

Advance for AT Loans

Advance for at loans consists of an advanced payment of approximately \$473,000 and \$499,000 related to the MATLP (see Note 8) as of August 31, 2021 and 2020, respectively.

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, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Special events expense	\$ 3,405	\$ -
Computers	1,680	-
Specific assistance	910	-
Office supplies	<u>-</u>	<u>14,070</u>
	<u>\$ 5,995</u>	<u>\$ 14,070</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 Subtopic, *Accounting for Contributions Received and Contributions Made*, in accordance with U.S. GAAP.

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 expenses that are allocated in this manner: depreciation, occupancy, benefits and payroll taxes, program service management, and general and administrative.

The expense allocation methodologies are based on the following:

- Depreciation - 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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Without Donor Restrictions

Net assets without donor restrictions 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 restrictions 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.

With Donor 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.

Program Fees 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. The Organization records a reserve on program fees receivable based on number of days outstanding. Program fees receivable consist of the following as of August 31:

	<u>2021</u>	<u>2020</u>
Private payors	\$ 891,043	\$ 513,789
Less - allowance for doubtful accounts	<u>(103,296)</u>	<u>(59,938)</u>
Program fees receivable, net	<u>\$ 787,747</u>	<u>\$ 453,851</u>

Grants and Contributions Receivable and Allowance

Grants and contributions receivable consist of amounts committed by private donors and the Commonwealth of Massachusetts under government grant agreements. Grants and contributions are recorded at their net present value when unconditionally committed. An allowance for uncollectible grants and contributions receivable is recorded based on management's analysis of specific accounts and collection history. As of August 31, 2021 and 2020, no allowance for grants and contributions receivable was deemed necessary.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and Investment Income

The Organization's investments in equity and debt securities are reported at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Alternative investments are also reported at fair value. In accordance with the ASC Subtopic, *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 restrictions unless the income or loss is restricted by donor or law.

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.

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) (see Note 9), 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.

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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment (Continued)

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, 2021 and 2020.

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 gains and losses) 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.

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 (see Note 9).

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, 2021 and 2020.

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, 2021 and 2020.

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:

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

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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). In April 2021, the Board of Directors voted to terminate the defined benefit pension plan and initiated the process to terminate the plan effective July 31, 2021. The Organization anticipates the plan asset liquidation/distribution to participants to be completed during fiscal year 2023.

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, 2021 and 2020. The Organization's information returns are subject to examination by the Federal and state jurisdictions.

Advertising and Promotional Costs

The Organization expenses advertising and promotional costs as incurred. During the years ended August 31, 2021 and 2020, the Organization incurred advertising expenses of \$8,896 and \$9,176, respectively, which are reflected as advertising and marketing materials in the accompanying statements of functional expenses.

Subsequent Events

Subsequent events have been evaluated through November 22, 2021, which is the date the financial statements were available to be issued. See Note 10 for an event that met the criteria for disclosure in the financial statements.

EASTER SEALS MASSACHUSETTS, INC.Notes to Financial Statements
August 31, 2021 and 2020**3. INVESTMENTS**

Investments are stated at fair value as of August 31, 2021 and 2020, and consist of the following:

<u>Investment Type</u>	2021			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Brokerage Cash	<u>\$ 629,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,961</u>
Equity Securities:				
Consumer Sector	4,067,067	-	-	4,067,067
Information Technology Sector	1,837,618	-	-	1,837,618
Health Care Sector	1,267,976	-	-	1,267,976
Financial Sector	<u>721,563</u>	<u>-</u>	<u>-</u>	<u>721,563</u>
Total Equity Securities	<u>7,894,224</u>	<u>-</u>	<u>-</u>	<u>7,894,224</u>
Fixed Income:				
Domestic Corporate Bonds	-	2,243,795	-	2,243,795
U.S. Government Bonds	-	1,357,582	-	1,357,582
U.S. Government Agency Bonds	<u>-</u>	<u>38,378</u>	<u>-</u>	<u>38,378</u>
Total Fixed Income	<u>-</u>	<u>3,639,755</u>	<u>-</u>	<u>3,639,755</u>
Mutual Funds:				
Equity	854,863	-	-	854,863
Fixed Income	495,588	-	-	495,588
Cash	<u>34,181</u>	<u>-</u>	<u>-</u>	<u>34,181</u>
Total Mutual Funds	<u>1,384,632</u>	<u>-</u>	<u>-</u>	<u>1,384,632</u>
	<u>\$ 9,908,817</u>	<u>\$ 3,639,755</u>	<u>\$ -</u>	13,548,572
Alternative Investments*				<u>239,430</u>
Total Investments				<u>\$ 13,788,002</u>

EASTER SEALS MASSACHUSETTS, INC.Notes to Financial Statements
August 31, 2021 and 2020**3. INVESTMENTS (Continued)**

<u>Investment Type</u>	2020			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Brokerage Cash	<u>\$ 120,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,132</u>
Equity Securities:				
Consumer Sector	1,698,477	-	-	1,698,477
Information Technology Sector	1,167,592	-	-	1,167,592
Health Care Sector	491,459	-	-	491,459
Financial Sector	<u>264,808</u>	<u>-</u>	<u>-</u>	<u>264,808</u>
Total Equity Securities	<u>3,622,336</u>	<u>-</u>	<u>-</u>	<u>3,622,336</u>
Fixed Income:				
Domestic Corporate Bonds	-	1,157,462	-	1,157,462
U.S. Government Bonds	-	540,880	-	540,880
U.S. Government Agency Bonds	<u>-</u>	<u>39,081</u>	<u>-</u>	<u>39,081</u>
Total Fixed Income	<u>-</u>	<u>1,737,423</u>	<u>-</u>	<u>1,737,423</u>
Mutual Funds:				
Equity	640,038	-	-	640,038
Fixed Income	<u>444,026</u>	<u>-</u>	<u>-</u>	<u>444,026</u>
Total Mutual Funds	<u>1,084,064</u>	<u>-</u>	<u>-</u>	<u>1,084,064</u>
	<u>\$ 4,826,532</u>	<u>\$ 1,737,423</u>	<u>\$ -</u>	6,563,955
Alternative Investments*				<u>268,822</u>
Total Investments				<u>\$ 6,832,777</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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

3. INVESTMENTS (Continued)

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.

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, 2021 and 2020.

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 of 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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

4. ENDOWMENT

The change in the endowment balance by net asset classification for the years ended August 31, 2021 and 2020, consists of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2019	\$ 94,325	\$ 1,384,193	\$ 1,478,518
Net investment return:			
Interest and dividend income, net of fees	13,500	19,318	32,818
Net realized and unrealized losses	<u>-</u>	<u>214,130</u>	<u>214,130</u>
Total investment returns	<u>13,500</u>	<u>233,448</u>	<u>246,948</u>
Endowment net assets, August 31, 2020	<u>107,825</u>	<u>1,617,641</u>	<u>1,725,466</u>
Net investment return:			
Interest and dividend income, net of fees	3,656	40,924	44,580
Net realized and unrealized gains	<u>-</u>	<u>201,911</u>	<u>201,911</u>
Total investment returns	<u>3,656</u>	<u>242,835</u>	<u>246,491</u>
Endowment net assets, August 31, 2021	<u>\$ 111,481</u>	<u>\$ 1,860,476</u>	<u>\$ 1,971,957</u>

5. PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 1,121,413	\$ 1,069,825
Building and improvements	<u>636,355</u>	<u>636,355</u>
	1,757,768	1,706,180
Less - accumulated depreciation	<u>1,637,255</u>	<u>1,600,659</u>
	<u>\$ 120,513</u>	<u>\$ 105,521</u>

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 (3.25% at August 31, 2021 and 2020). Principal is due on demand and the line of credit is secured by the investments without donor restrictions of the Organization of approximately \$111,000 and \$108,000 as of August 31, 2021 and 2020, respectively. As of August 31, 2021 and 2020, 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, 2021 or 2020. The letter of credit is renewed automatically in August unless the Organization notifies the Commonwealth of Massachusetts in writing 60 days before the renewal.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

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, 2021 and 2020, there was \$345,011 and \$452,084, respectively, outstanding under this agreement.

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 112,592
2023	\$ 118,434
2024	\$ 113,985

8. ASSETS HELD FOR OTHERS

The MATLP (see Note 1) 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 \$1,469,154 and \$627,271 in the accompanying statements of financial position as of August 31, 2021 and 2020, 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 management fee earned by the Organization was \$218,872 and \$238,021 for the years ended August 31, 2021 and 2020, respectively, and is included in program fees in the accompanying statements of activities and changes in net assets.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to the Organization's endowment spending policy and appropriation:		
Investment in perpetuity (including amounts above the original gifts of \$803,456 and \$791,890 as of August 31, 2021 and 2020, respectively):		
Richard A. LaPierre Pioneer Fund	\$ 984,572	\$ 902,124
Assistive Technology Endowment Fund	535,648	448,170
General Endowment Fund	<u>340,256</u>	<u>267,347</u>
	<u>1,860,476</u>	<u>1,617,641</u>
Subject to expenditure for specified purposes:		
Matthew V. Joslin Fund for Unmet Needs	129,808	107,292
Other	103,574	57,585
Elmer C. Bartels/Camp Scholarship Fund	<u>69,777</u>	<u>35,000</u>
	<u>303,159</u>	<u>199,877</u>
 Total net assets with donor restrictions	 <u>\$ 2,163,635</u>	 <u>\$ 1,817,518</u>

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.

There were no releases from the Elmer C. Bartels/Camp Scholarship Fund or the Matthew V. Joslin Fund for Unmet Needs during fiscal years 2021 and 2020, respectively.

10. LEASE AGREEMENT

The Technology and Training Center in Boston is leased under an operating lease through July 2024. Monthly payments range between \$7,111 and \$7,314 over the term of the lease. The lease 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, 2021 and 2020, was \$85,330, 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:

2022	\$ 85,533
2023	87,768
2024	<u>80,454</u>
Total minimum lease payments	<u>\$ 253,755</u>

In November 2021, the Organization entered into a lease agreement for space in Worcester. The agreement is contingent upon certain triggering events, including the sale of the current Worcester headquarters. The initial term of the lease is for 10 years from the lease commencement date. Monthly lease payments under the agreement will be \$17,602.

EASTER SEALS MASSACHUSETTS, INC.Notes to Financial Statements
August 31, 2021 and 2020**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. During fiscal year 2021, the Board of Directors voted to terminate the plan effective July 31, 2021. The Organization anticipates the plan asset liquidation/distribution to participants to completed during fiscal year 2023.

Benefit Obligation and Funded Status

A summary of changes in the benefit obligation, Plan assets and funded status for the years ended August 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 9,797,119	\$ 9,498,753
Interest cost	218,434	271,551
Benefits disbursed	(576,028)	(617,760)
Actuarial gains	<u>(212,862)</u>	<u>644,615</u>
Projected benefit obligation, end of year	<u>9,226,663</u>	<u>9,797,159</u>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	7,443,672	6,991,036
Actual return on plan assets	858,274	715,396
Employer contributions	1,610,000	355,000
Benefits disbursed plus actual expenses	<u>(576,028)</u>	<u>(617,760)</u>
Fair value of plan assets, end of year	<u>9,335,918</u>	<u>7,443,672</u>
Unfunded (Overfunded) Status, end of year	<u>\$ (109,255)</u>	<u>\$ 2,353,447</u>

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

	<u>2021</u>	<u>2020</u>
Accrued pension benefit obligation recognized in the statements of financial position	\$ <u>-</u>	\$ <u>2,353,447</u>

As of August 31, 2021, the fair value of plan assets exceeded the projected benefit obligation by \$109,255. The amount is included in prepaid expenses and other on the accompanying statement of financial position.

EASTER SEALS MASSACHUSETTS, INC.Notes to Financial Statements
August 31, 2021 and 2020

11. RETIREMENT PLANS (Continued)**Benefit Obligation and Funded Status (Continued)**

Plan amounts recognized in the accompanying statements of activities and changes in net assets were as follows for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Net periodic pension cost	\$ 190,268	\$ 178,956
Pension-related change other than periodic pension cost (income)	<u>(1,042,970)</u>	<u>21,774</u>
Total recognized cost (income)	<u>\$ (852,702)</u>	<u>\$ 200,730</u>

Net periodic pension cost is included in operating expenses in the accompanying statements of functional expenses in accordance with ASC 715, *Compensation - Retirement Plans*.

Net periodic pension costs consist of the following for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Interest	\$ 218,434	\$ 271,511
Amortization of net loss	221,977	215,066
Expected return on plan assets	<u>(250,143)</u>	<u>(307,622)</u>
Total net periodic pension cost	<u>\$ 190,268</u>	<u>\$ 178,955</u>

The Organization follows the provisions of Accounting Standards Update (ASU) 2017-07 that require that an employer report the service cost component separately from the other components of net benefit cost. The service cost component is reported in the same lines of the statement of activities and changes in net assets as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are reported as non-operating activities. There were no service costs incurred for the years ended August 31, 2021 and 2020.

Other changes in plan assets and benefit obligations previously recognized in changes in net assets without donor restrictions were as follows as of August 31:

	<u>2021</u>	<u>2020</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the beginning of the year	\$ 5,141,787	\$ 5,120,013
Net (gain) loss during the year	<u>(1,042,970)</u>	<u>21,774</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the end of the year	<u>\$ 4,098,817</u>	<u>\$ 5,141,787</u>

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

11. RETIREMENT PLANS (Continued)

Benefit Obligation and Funded Status (Continued)

Weighted-average assumptions used in determining the benefit obligation and the net periodic benefit costs as of August 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate - benefit obligations	2.40%	2.30%
Discount rate - net periodic benefit cost	2.30%	2.95%
Expected long-term rate of return on Plan assets	5.00%	5.75%
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 expected to contribute \$360,000 to the Plan for the year ended August 31, 2021. This amount is shown as the current portion of pension benefit obligation in the accompanying statement of financial position as of August 21, 2020. There is no expected contribution to be made in fiscal year 2022, as the Plan is overfunded as of August 31, 2021.

The Plan is anticipated to be liquidized as part of the Plan termination during fiscal year 2022. However, in the event it is not, the following benefit payments to retired plan beneficiaries from the Plan, as appropriate, are expected to be paid over the next ten fiscal years:

2022	\$ 590,000
2023	590,000
2024	590,000
2025	580,000
2026	610,000
2027 - 2031	<u>2,860,000</u>
	<u>\$ 5,820,000</u>

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, 2021 and 2020, are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Allocation Target</u>	<u>Weighted-Average Asset Allocation</u>	<u>Allocation Target</u>	<u>Weighted-Average Asset Allocation</u>
Equity investments	8.00%	7.00%	70.00%	48.00%
Fixed income	<u>92.00</u>	<u>93.00</u>	<u>30.00</u>	<u>52.00</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.

EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements
August 31, 2021 and 2020

11. RETIREMENT PLANS (Continued)

Benefit Obligation and Funded Status (Continued)

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.

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 2021 and 2020, 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.

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11. RETIREMENT PLANS (Continued)

Benefit Obligation and Funded Status (Continued)

The following table presents information about the Plan assets measured at fair value as of August 31, 2021 and 2020, aggregated by the level in the fair value hierarchy (see page 10) within which those measurements fall:

Description	2021			Total
	Level 1	Level 2	Level 3	
Equity Securities:				
U.S. Large Cap	\$ 477,035	\$ -	\$ -	\$ 477,035
U.S. Small and Mid-Cap	19,844	-	-	19,844
International	202,614	-	-	202,614
Fixed Income	<u>8,636,425</u>	<u>-</u>	<u>-</u>	<u>8,636,425</u>
Total Plan Assets	<u>\$ 9,335,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,335,918</u>

Description	2020			Total
	Level 1	Level 2	Level 3	
Equity Securities:				
U.S. Large Cap	\$ 2,091,471	\$ -	\$ -	\$ 2,091,471
U.S. Small and Mid-Cap	1,128,878	-	-	1,128,878
International	433,315	-	-	433,315
Fixed Income	<u>3,790,008</u>	<u>-</u>	<u>-</u>	<u>3,790,008</u>
Total Plan Assets	<u>\$ 7,443,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,443,672</u>

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

Investments in fixed income are based on the publicly quoted net asset values on the last business day of the year.

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.

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, 2021 and 2020, the Organization made discretionary matching contributions to this plan in the amounts of \$41,743 and \$40,998, respectively.

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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 \$88,474 and \$76,864 for the years ended August 31, 2021 and 2020, respectively, which are reflected as membership fees in the accompanying statements of functional expenses. In addition, the Organization paid National \$185 for other materials and services for the year ended August 31, 2020, which was included in advertising and marketing materials in the accompanying statement of functional expenses. The Organization had no amounts due to National as of August 31, 2021 and 2020.

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 26% and 27% of the Organization's total operating revenue and other support for the years ended August 31, 2021 and 2020, respectively. As of August 31, 2021 and 2020, 87% and 80%, respectively, of the Organization's grants and contributions receivable were due from the Commonwealth. During fiscal year 2021, the Organization received a grant without donor restrictions, which represents 31% of the Organization's total operating revenue and other support for the year ended August 31, 2021.

At August 31, 2021 and 2020, approximately 8% and 17%, respectively, of the grants and contributions receivable balance is due from one donor.

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, 2021 and 2020, no amounts have been accrued related to such indemnification provisions.

15. LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,908,807	\$ 2,065,292
Program fees receivable	787,747	453,851
Grants and contributions receivable	<u>630,457</u>	<u>734,668</u>
Total	<u>\$ 3,327,011</u>	<u>\$ 3,253,811</u>

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15. LIQUIDITY (Continued)

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of August 31, 2021 and 2020, the Organization has financial assets equal to approximately three 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. CONDITIONAL GRANTS

During fiscal year 2020, the Organization applied for, and was awarded, a loan in the amount of \$2,156,300 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during a covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Administration (SBA). In addition, because the Organization was awarded a loan over \$2 million, the loan will be subject to an audit by the SBA. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of the Organization as of August 31, 2021 and 2020, or on the changes in its net assets for the years then ended.

The Organization believes there is not more than a remote chance this loan will not be forgiven and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605. It is determined that this grant is conditional upon certain performance requirements and the incurrence of eligible expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with the loan application and CARES Act requirements. As of August 31, 2020, the Organization recognized \$2,156,300 of grant revenue, which is included in grants and contributions in the accompanying fiscal year 2020 statement of activities and changes in net assets. The Organization has not accrued interest as of August 31, 2021 and 2020, since it expects the interest to be forgiven. The Organization has submitted the application for forgiveness, but has not yet been legally released from the obligation.

The Organization has received the following conditional commitments of Federal and state grants, which have not been recognized in the accompanying financial statements since the related conditions have not yet been met:

<u>Condition</u>	<u>2021</u>	<u>2020</u>
Incurring qualifying costs	\$ 692,117	\$ 385,325
Performance barriers	<u>502,991</u>	<u>459,433</u>
	<u>\$ 1,195,108</u>	<u>\$ 844,758</u>

17. CONTINGENCY

During fiscal year 2020 and continuing into fiscal year 2021, the COVID-19 Coronavirus (COVID-19) pandemic emerged in the United States, and continued into fiscal year 2021, triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on the Organization, its operations and future financial statements.

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17. CONTINGENCY (Continued)

Management of the Organization is monitoring these events closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, the Organization is unable to accurately predict how COVID-19 will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

18. RECLASSIFICATIONS

Certain amounts in the fiscal year 2020 financial statements have been reclassified to conform with the fiscal year 2021 presentation.