



**FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

# EASTER SEALS MASSACHUSETTS, INC.

Contents  
August 31, 2022 and 2021

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	<u>Pages</u>
<b>Independent Auditor's Report .....</b>	<b>1 - 1A</b>
<b>Financial Statements:</b>	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows .....	4
Statements of Functional Expenses .....	5 - 6
Notes to Financial Statements .....	7 - 27

## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of Easter Seals Massachusetts, Inc. (a Massachusetts nonprofit corporation) (the Organization), which comprise the statements of financial position as of August 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Easter Seals Massachusetts, Inc. as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*AAFCPA, Inc.*

Westborough, Massachusetts  
November 22, 2022

**EASTER SEALS MASSACHUSETTS, INC.**

## Statements of Financial Position

August 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current Assets:		
Cash	\$ 1,214,480	\$ 1,908,807
Program fees receivable, net	757,903	787,747
Grants and contributions receivable	769,074	630,457
Prepaid expenses and other	104,486	194,370
Total current assets	2,845,943	3,521,381
Restricted Cash	460,816	472,782
Investments	11,376,179	13,788,002
Assets Held for Others	1,282,516	1,469,154
Property and Equipment, net	7,735,077	120,513
Total assets	<u>\$ 23,700,531</u>	<u>\$ 19,371,832</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Current portion of notes payable	\$ 230,904	\$ 112,592
Accounts payable and accrued expenses	846,193	1,179,325
Advances for AT loans	516,442	515,818
Deferred revenue	331,187	348,098
Total current liabilities	1,924,726	2,155,833
Notes Payable, net of current portion	113,959	232,419
Assets Held for Others	1,282,516	1,469,154
Total liabilities	3,321,201	3,857,406
Net Assets:		
Without donor restrictions:		
Operating	10,865,849	13,230,278
Property and equipment	7,735,077	120,513
Total without donor restrictions	18,600,926	13,350,791
With donor restrictions	1,778,404	2,163,635
Total net assets	20,379,330	15,514,426
Total liabilities and net assets	<u>\$ 23,700,531</u>	<u>\$ 19,371,832</u>

The accompanying notes are an integral part of these statements.

Page 2

**EASTER SEALS MASSACHUSETTS, INC.**

Statements of Activities and Changes in Net Assets  
For the Years Ended August 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Other Support:</b>						
Program fees	\$ 6,858,035	\$ -	\$ 6,858,035	\$ 6,795,225	\$ -	\$ 6,795,225
Government grants	5,525,623	-	5,525,623	4,852,126	-	4,852,126
Grants and contributions	727,121	4,000	731,121	6,751,611	78,805	6,830,416
Gain on sale of property and equipment	281,711	-	281,711	-	-	-
Special events	171,806	-	171,806	126,967	-	126,967
Legacies and bequests	22,418	-	22,418	693,046	-	693,046
Net assets released from restrictions	103,574	(103,574)	-	-	-	-
Total operating revenue and other support	<u>13,690,288</u>	<u>(99,574)</u>	<u>13,590,714</u>	<u>19,218,975</u>	<u>78,805</u>	<u>19,297,780</u>
<b>Operating Expenses:</b>						
Program services	10,919,078	-	10,919,078	10,611,579	-	10,611,579
General and administrative	1,901,477	-	1,901,477	1,703,263	-	1,703,263
Fundraising	526,865	-	526,865	475,293	-	475,293
Total operating expenses	<u>13,347,420</u>	<u>-</u>	<u>13,347,420</u>	<u>12,790,135</u>	<u>-</u>	<u>12,790,135</u>
Changes in net assets from operations	<u>342,868</u>	<u>(99,574)</u>	<u>243,294</u>	<u>6,428,840</u>	<u>78,805</u>	<u>6,507,645</u>
<b>Non-Operating Revenue (Expense):</b>						
Contribution - merger	6,877,759	-	6,877,759	-	-	-
In-kind property and equipment	269,650	-	269,650	-	-	-
Pension-related change other than periodic pension cost	(109,319)	-	(109,319)	1,042,970	-	1,042,970
Net investment return	(2,130,823)	(285,657)	(2,416,480)	1,227,036	267,312	1,494,348
Total non-operating revenue (expense)	<u>4,907,267</u>	<u>(285,657)</u>	<u>4,621,610</u>	<u>2,270,006</u>	<u>267,312</u>	<u>2,537,318</u>
Changes in net assets	<u>5,250,135</u>	<u>(385,231)</u>	<u>4,864,904</u>	<u>8,698,846</u>	<u>346,117</u>	<u>9,044,963</u>
<b>Net Assets:</b>						
Beginning 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>
End of year	<u>\$ 18,600,926</u>	<u>\$ 1,778,404</u>	<u>\$ 20,379,330</u>	<u>\$ 13,350,791</u>	<u>\$ 2,163,635</u>	<u>\$ 15,514,426</u>

The accompanying notes are an integral part of these statements.

Page 3

**EASTER SEALS MASSACHUSETTS, INC.**Statements of Cash Flows  
For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 4,864,904	\$ 9,044,963
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	33,386	36,596
Bad debt	-	80,393
Net realized and unrealized (gains) losses on investments	2,417,764	(1,415,849)
Contribution - merger	(6,877,759)	-
Change in pension benefit obligation	323,259	(852,702)
Gain on sale of property and equipment	(281,711)	-
In-kind property and equipment	(269,650)	-
Changes in operating assets and liabilities:		
Program fees receivable	29,844	(414,289)
Grants and contributions receivable	(138,617)	104,211
Prepaid expenses and other	75,660	129,458
Accounts payable and accrued expenses	(342,903)	310,852
Advances for AT loans	624	2,357
Deferred revenue	(16,911)	99,683
Net cash provided by (used in) operating activities	<u>(182,110)</u>	<u>7,125,673</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of investments	1,963,570	454,239
Purchase of investments	(1,969,511)	(5,993,615)
Purchase of property and equipment	(379,425)	(51,588)
Proceeds from sale of property and equipment	282,836	-
Net cash used in investing activities	<u>(102,530)</u>	<u>(5,590,964)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on notes payable	(112,618)	(107,073)
Pension benefit contribution	(309,035)	(1,610,000)
Net cash used in financing activities	<u>(421,653)</u>	<u>(1,717,073)</u>
<b>Net Change in Cash and Restricted Cash</b>	<b>(706,293)</b>	<b>(182,364)</b>
<b>Cash and Restricted Cash:</b>		
Beginning of year	<u>2,381,589</u>	<u>2,563,953</u>
End of year	<u><u>\$ 1,675,296</u></u>	<u><u>\$ 2,381,589</u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u><u>\$ 14,900</u></u>	<u><u>\$ 20,445</u></u>
<b>Reconciliation of Cash and Restricted Cash</b>		
<b>Reported Within the Statements of Financial Position:</b>		
Cash	\$ 1,214,480	\$ 1,908,807
Restricted cash	<u>460,816</u>	<u>472,782</u>
Total cash and restricted cash	<u><u>\$ 1,675,296</u></u>	<u><u>\$ 2,381,589</u></u>

**EASTER SEALS MASSACHUSETTS, INC.**

## Statement of Functional Expenses

For the Year Ended August 31, 2022

(With Summarized Comparative Totals for the Year Ended August 31, 2021)

	2022							2021	
	Program Services				Support Services				
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Administrative	Fundraising	Total Support Services	Total	Total
<b>Personnel and Related Costs:</b>									
Salaries and contracted services	\$ 3,635,457	\$ 1,353,622	\$ 2,930,265	\$ 7,919,344	\$ 1,052,167	\$ 305,634	\$ 1,357,801	\$ 9,277,145	\$ 8,891,697
Benefits	449,881	260,343	357,578	1,067,802	243,272	37,904	281,176	1,348,978	1,379,976
Payroll taxes	271,703	96,239	216,317	584,259	29,501	22,293	51,794	636,053	564,390
Total personnel and related costs	4,357,041	1,710,204	3,504,160	9,571,405	1,324,940	365,831	1,690,771	11,262,176	10,836,063
<b>Other Operating Costs:</b>									
Assistance to individuals	-	583,227	44,650	627,877	-	-	-	627,877	612,301
Equipment, software and repairs	26,161	41,086	59,877	127,124	112,506	43,912	156,418	283,542	259,292
Professional fees	733	4,342	83,815	88,890	104,938	46,253	151,191	240,081	170,815
Occupancy	3,205	69,278	43,602	116,085	77,609	9,881	87,490	203,575	213,686
Telecommunications	11,257	6,468	4,820	22,545	82,029	1,400	83,429	105,974	85,083
Travel and transportation	53,960	36,815	7,664	98,439	2,223	487	2,710	101,149	77,496
Insurance	-	-	-	-	83,810	-	83,810	83,810	73,493
Bank and other service fees	-	35	69,312	69,347	1,038	6,720	7,758	77,105	80,855
Membership fees	-	-	68,768	68,768	-	-	-	68,768	88,474
Recruitment	10,932	565	5,560	17,057	38,572	161	38,733	55,790	23,379
Books, dues, subscriptions and filing fees	4,400	2,811	22,620	29,831	17,235	6,151	23,386	53,217	32,790
Special events	-	3,750	390	4,140	2,789	31,158	33,947	38,087	15,551
Postage and printing	10	3,451	4,078	7,539	24,198	2,136	26,334	33,873	29,350
Depreciation	-	3,778	22,382	26,160	7,226	-	7,226	33,386	36,596
Advertising and marketing materials	-	1,542	17,169	18,711	1,000	2,792	3,792	22,503	8,896
Other	1,526	471	7,812	9,809	1,872	5,765	7,637	17,446	17,073
Interest	-	-	-	-	14,900	-	14,900	14,900	20,445
Meetings and conferences	1,059	2,041	6,643	9,743	89	3,712	3,801	13,544	21,513
Office supplies	365	3,137	2,106	5,608	4,503	506	5,009	10,617	6,591
Bad debt	-	-	-	-	-	-	-	-	80,393
Total other operating costs	113,608	762,797	471,268	1,347,673	576,537	161,034	737,571	2,085,244	1,954,072
Total expenses	\$ 4,470,649	\$ 2,473,001	\$ 3,975,428	\$ 10,919,078	\$ 1,901,477	\$ 526,865	\$ 2,428,342	\$ 13,347,420	\$ 12,790,135

The accompanying notes are an integral part of these statements.



**EASTER SEALS MASSACHUSETTS, INC.**

 Statement of Functional Expenses  
 For the Year Ended August 31, 2021

	Program Services				Support Services			
	Rehabilitation Services	Assistive Technology Services	Other Community Services	Total Program Services	General and Adminis- trative	Fundraising	Total Support Services	Total
<b>Personnel and Related Costs:</b>								
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
Benefits	412,580	230,654	429,009	1,072,243	267,485	40,248	307,733	1,379,976
Payroll taxes	235,040	81,918	175,673	492,631	54,845	16,914	71,759	564,390
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
<b>Other Operating Costs:</b>								
Assistance to individuals	373	543,800	53,490	597,663	96	14,542	14,638	612,301
Equipment, software and repairs	24,354	50,659	83,428	158,441	65,974	34,877	100,851	259,292
Professional fees	2,130	1,260	31,427	34,817	89,837	46,161	135,998	170,815
Occupancy	5,808	81,090	53,130	140,028	57,280	16,378	73,658	213,686
Telecommunications	13,276	4,863	3,520	21,659	62,944	480	63,424	85,083
Travel and transportation	50,024	24,705	2,233	76,962	534	-	534	77,496
Insurance	924	-	-	924	72,569	-	72,569	73,493
Bank and other service fees	-	-	70,839	70,839	4,465	5,551	10,016	80,855
Membership fees	-	-	88,474	88,474	-	-	-	88,474
Recruitment	5,965	250	2,998	9,213	14,061	105	14,166	23,379
Books, dues, subscriptions and filing fees	8,985	3,658	9,535	22,178	10,555	57	10,612	32,790
Special events	1,395	506	1,438	3,339	360	11,852	12,212	15,551
Postage and printing	-	2,332	4,127	6,459	21,725	1,166	22,891	29,350
Depreciation	-	-	23,553	23,553	13,043	-	13,043	36,596
Advertising and marketing materials	-	2,500	5,396	7,896	1,000	-	1,000	8,896
Other	-	260	428	688	2,206	14,179	16,385	17,073
Interest	-	-	-	-	20,445	-	20,445	20,445
Meetings and conferences	2,473	14,318	3,854	20,645	868	-	868	21,513
Office supplies	1,018	243	1,218	2,479	3,584	528	4,112	6,591
Bad debt	60,295	20,098	-	80,393	-	-	-	80,393
Total other operating costs	177,020	750,542	439,088	1,366,650	441,546	145,876	587,422	1,954,072
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

The accompanying notes are an integral part of these statements.

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

Notes to Financial Statements  
August 31, 2022 and 2021

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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).

#### **Adoption of Accounting Standard**

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services. The Organization adopted ASU 2020-07 during fiscal year 2022. The adoption of this ASU did not impact the Organization's net asset classes, results of operations or cash flows. This ASU has been applied retrospectively to all periods presented.

#### **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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

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, 2022 and 2021.

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.

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, 2022 and 2021.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

*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 \$171,806 and \$126,967 to be a contribution to the Organization for the years ended August 31, 2022 and 2021, respectively. There was no exchange component for the years ended August 31, 2022 and 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.

**Deferred Revenue**

Deferred revenue consists of program fees received in advance of being earned as of August 31, 2022 and 2021.

**Advance for AT Loans**

Advance for AT loans consists of advanced payments of approximately \$516,000 related to the MATLP (see Note 8) as of August 31, 2022 and 2021.

**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.

**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.

**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 as of September 1, 2020, were \$453,851.

**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, 2022 and 2021, no allowance for grants and contributions receivable was deemed necessary.

**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.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments and Investment Income (Continued)**

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.

*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, 2022 and 2021.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Endowment (Continued)

##### *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, 2022 and 2021.

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, 2022 and 2021.

#### 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

Land is not depreciated.

#### 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 Plan asset liquidation/distribution to participants was completed in April 2022.



**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2022 and 2021. 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, 2022 and 2021, the Organization incurred advertising expenses of \$22,503 and \$8,896, respectively, which are reflected as advertising and marketing materials in the accompanying statements of functional expenses.

**Contributed Nonfinancial Assets**

Donated goods and services are reflected as contributions at their fair value at date of donation and are reported as revenue without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as in-kind property and equipment in the accompanying 2022 statement of activities and changes in net assets (see Note 5). The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. There were no contributed services received during the years ended August 31, 2022 and 2021.

The Organization's policy related to donated goods and services is to utilize the donated goods and services to carry out the mission of the Organization.

All in-kind gifts received by the Organization for the year ended August 31, 2022, were considered without donor restriction and able to be used by the Organization as determined by management.

**Subsequent Events**

Subsequent events have been evaluated through November 22, 2022, which is the date the financial statements were available to be issued. See Note 17 for a subsequent event that met the criteria for disclosure.

**EASTER SEALS MASSACHUSETTS, INC.**

Notes to Financial Statements  
August 31, 2022 and 2021

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**3. INVESTMENTS**

Investments are stated at fair value as of August 31, 2022 and 2021, and consist of the following:

<u>Investment Type</u>	<b>2022</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Brokerage Cash	\$ 306,747	\$ -	\$ -	\$ 306,747
Equity Securities:				
Consumer Sector	3,130,924	-	-	3,130,924
Information Technology Sector	1,532,638	-	-	1,532,638
Health Care Sector	799,876	-	-	799,876
Financial Sector	494,119	-	-	494,119
Total Equity Securities	<u>5,957,556</u>	<u>-</u>	<u>-</u>	<u>5,957,556</u>
Fixed Income:				
Domestic Corporate Bonds	-	2,088,640	-	2,088,640
U.S. Government Bonds	<u>-</u>	<u>1,377,000</u>	<u>-</u>	<u>1,377,000</u>
Total Fixed Income	<u>-</u>	<u>3,465,640</u>	<u>-</u>	<u>3,465,650</u>
Mutual Funds:				
Equity	896,767	-	-	896,767
Fixed Income	<u>486,128</u>	<u>-</u>	<u>-</u>	<u>486,128</u>
Total Mutual Funds	<u>1,382,895</u>	<u>-</u>	<u>-</u>	<u>1,382,895</u>
	<u>\$ 7,647,198</u>	<u>\$ 3,465,640</u>	<u>\$ -</u>	11,112,838
Alternative Investments*				<u>263,341</u>
Total Investments				<u>\$ 11,376,179</u>

**EASTER SEALS MASSACHUSETTS, INC.**

Notes to Financial Statements  
August 31, 2022 and 2021

**3. INVESTMENTS (Continued)**

<u>Investment Type</u>	<b>2021</b>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Brokerage Cash	\$ 629,961	\$ -	\$ -	\$ 629,961
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	721,563	-	-	721,563
Total Equity Securities	7,894,224	-	-	7,894,224
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	-	38,378	-	38,378
Total Fixed Income	-	3,639,755	-	3,639,755
Mutual Funds:				
Equity	854,863	-	-	854,863
Fixed Income	495,588	-	-	495,588
Cash	34,181	-	-	34,181
Total Mutual Funds	1,384,632	-	-	1,384,632
	<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>

\* 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.

**3. INVESTMENTS** (Continued)

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.

*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, 2022 and 2021.

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 of 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, 2022 and 2021

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**4. ENDOWMENT**

The change in the endowment balance by net asset classification for the years ended August 31, 2022 and 2021, consists of the following:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, August 31, 2020	<u>\$ 107,825</u>	<u>\$ 1,617,641</u>	<u>\$ 1,478,518</u>
Net investment return:			
Interest and dividend income, net of fees	3,656	40,924	32,818
Net realized and unrealized losses	<u>-</u>	<u>214,130</u>	<u>214,130</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>
Net investment return:			
Interest and dividend income, net of fees	3,772	-	3,772
Net realized and unrealized gains	<u>-</u>	<u>(268,417)</u>	<u>(268,417)</u>
Total investment returns	<u>3,772</u>	<u>(268,417)</u>	<u>264,645</u>
Endowment net assets, August 31, 2022	<u>\$ 115,253</u>	<u>\$ 1,592,059</u>	<u>\$ 1,707,312</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2022 and 2021, consists of the following:

	<b><u>2022</u></b>	<b><u>2021</u></b>
Land	\$ 1,150,000	\$ -
Buildings and improvements	5,850,000	636,355
Furniture and fixtures	<u>925,835</u>	<u>1,121,413</u>
	7,925,835	1,757,768
Less - accumulated depreciation	<u>190,758</u>	<u>1,637,255</u>
	<u>\$ 7,735,077</u>	<u>\$ 120,513</u>

During fiscal year 2022 the Organization sold their condominium unit and relocated to a new leased facility (see Note 10) in Worcester Massachusetts. The sale resulted in a gain of approximately \$282,000. During the relocation, the Organization was the recipient of in-kind furniture and fixtures totaling \$269,650, which is presented as in-kind property and equipment in the accompanying 2022 statement of activities and changes in net assets.

The Organization also entered into a merger agreement with an unrelated non-profit agency during fiscal year 2022, where it assumed all assets of the agency, which included property and equipment (see Note 17).

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 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 (5.50% and 3.25% at August 31, 2022 and 2021, respectively). Principal is due on demand and the line of credit is secured by certain investments without donor restrictions. As of August 31, 2022 and 2021, 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, 2022 or 2021. The letter of credit is renewed automatically in August unless the Organization notifies the Commonwealth of Massachusetts in writing (60) sixty days before the renewal.

### 7. NOTES 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, 2022 and 2021, there were \$344,863 and \$345,011, respectively, outstanding under this agreement.

Notes payable also include a Paycheck Protection (PPP) loan totaling \$112,470 from the Small Business Administration, established by the Coronavirus Aid, Relief and Economic Security Act. The PPP loan was assumed by the Organization as part of a merger in fiscal year 2022 (see Note 17). There are no covenants with which to comply, and the note is not secured by any collateral. In accordance with the terms of the merger agreement, the Organization agreed to pay-off the loan soon after the merger, as such, the balance is included in the current portion of notes payable in the accompanying statement of financial position.

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

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 230,904
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.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 8. ASSETS HELD FOR OTHERS (Continued)

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 \$1,282,516 and \$1,469,154 in the accompanying statements of financial position as of August 31, 2022 and 2021, 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 \$314,632 and \$218,872 for the years ended August 31, 2022 and 2021, respectively, and is 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>2022</u>	<u>2021</u>
<b>Subject to the Organization's endowment spending policy and appropriation:</b>		
Investment in perpetuity (including amounts above the original gifts of \$535,039 and \$803,456 as of August 31, 2022 and 2021, respectively):		
Richard A. LaPierre Pioneer Fund	\$ 846,260	\$ 984,572
Assistive Technology Endowment Fund	466,745	535,648
General Endowment Fund	<u>279,054</u>	<u>340,256</u>
	<u>1,592,059</u>	<u>1,860,476</u>
<b>Subject to expenditure for specified purposes:</b>		
Matthew V. Joslin Fund for Unmet Needs	125,437	129,808
Elmer C. Bartels/Camp Scholarship Fund	60,908	69,777
Other	<u>-</u>	<u>103,574</u>
	<u>186,345</u>	<u>303,159</u>
 Total net assets with donor restrictions	 <u>\$ 1,778,404</u>	 <u>\$ 2,163,635</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 2022 and 2021.

### 10. LEASE AGREEMENTS

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.

In November 2021, the Organization entered into a new lease agreement for space in Worcester. The initial term of the lease is for ten years with an option to extend for an additional five years. Monthly lease payments under the agreement are \$17,602.

**EASTER SEALS MASSACHUSETTS, INC.**

Notes to Financial Statements  
August 31, 2022 and 2021

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**10. LEASE AGREEMENTS (Continued)**

Rent expense for the Boston facility for the years ended August 31, 2022 and 2021, was \$85,533 and \$85,330, respectively, and is included in occupancy in the accompanying statements of functional expenses. Rent expense for the Worcester facility was \$35,204 in fiscal year 2022 and is included in occupancy in the accompanying statement of functional expenses.

Future minimum lease payments due under the non-cancelable operating lease obligations over the next five years are as follows as of August 31:

2023	\$ 298,992
2024	291,678
2025	211,224
2026	211,224
2027	211,224
Thereafter	<u>1,020,916</u>
Total	\$ 2,245,258

**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 plan asset liquidation and distribution to participants was completed in April 2022.

**Benefit Obligation and Funded Status**

A summary of changes in the benefit obligation, Plan assets and funded status for the years ended August 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 9,226,663	\$ 9,797,119
Interest cost	214,360	218,434
Benefits disbursed	(426,416)	(576,028)
Actuarial gains	(703,759)	(212,862)
Effect of plan settlement	<u>(8,310,848)</u>	<u>-</u>
Projected benefit obligation, end of year	<u>-</u>	<u>9,226,663</u>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	9,335,918	7,443,672
Actual return on plan assets	(907,689)	858,274
Employer contributions	309,035	1,610,000
Benefits disbursed plus actual expenses	<u>(8,310,848)</u>	<u>(576,028)</u>
Fair value of plan assets, end of year	<u>-</u>	<u>9,335,918</u>
Unfunded (Overfunded) Status, end of year	<u>\$ -</u>	<u>\$ (109,255)</u>



**EASTER SEALS MASSACHUSETTS, INC.**

Notes to Financial Statements  
August 31, 2022 and 2021

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

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

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

	<u>2022</u>	<u>2021</u>
Net periodic pension cost	\$ 213,940	\$ 190,268
Pension-related change other than periodic pension cost (income)	<u>109,319</u>	<u>(1,042,970)</u>
Total recognized cost (income)	<u>\$ 323,259</u>	<u>\$ (852,702)</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>2022</u>	<u>2021</u>
Interest	\$ 214,360	\$ 218,434
Amortization of net loss	169,808	221,977
Expected return on plan assets	<u>(170,228)</u>	<u>(250,143)</u>
Total net periodic pension cost	<u>\$ 213,940</u>	<u>\$ 190,268</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, 2022 and 2021.

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>2022</u>	<u>2021</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the beginning of the year	\$ 4,098,817	\$ 5,141,787
Effect of plan settlement	(4,208,136)	-
Net (gain) loss during the year	<u>109,319</u>	<u>(1,042,970)</u>
Amounts previously recognized in net assets without donor restrictions, not yet recognized as periodic pension cost at the end of the year	<u>\$ -</u>	<u>\$ 4,098,817</u>

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 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, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate - benefit obligations	N/A	2.40%
Discount rate - net periodic benefit cost	2.40%	2.30%
Expected long-term rate of return on Plan assets	3.00%	5.00%
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.

Plan funding was actuarially determined and subject to certain tax law limitations. Substantially all Plan assets were actively managed. Target allocation percentages and the weighted-average asset allocations for each major category of Plan assets as of August 31, 2021, were as follows:

	<u>Allocation Target</u>	<u>Weighted- Average Asset Allocation</u>
Equity investments	8.00%	7.00%
Fixed income	<u>92.00</u>	<u>93.00</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The investment strategy for Plan assets was to utilize a diversified mix of equity and fixed income investments to earn a long-term investment return that met the Organization's pension plan obligations. Active management strategies were 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 were well-defined and monitored.

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 reviewed 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.

Establishing the expected future rate of investment return on the Plan's pension assets is a judgmental matter.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 11. RETIREMENT PLANS (Continued)

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

The Organization considered 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 reviewed the expected long-term rate of return on an annual basis and revised as appropriate. Also, the Organization relied on detailed asset/liability studies performed by third-party professional investment advisors and actuaries. These studies projected the Organization's estimated future pension payments and evaluated 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 3.00% and 5.00% return assumption used for 2022 and 2021, respectively, 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, 2021, aggregated by the level in the fair value hierarchy (see page 10) within which those measurements fall:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

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 relied on detailed asset/liability studies performed by these parties. These studies projected the Organization's estimated future pension payments and evaluated the efficiency of the allocation of the Organization's Plan assets into various investment categories. The valuation methodology uses observable inputs in calculating fair value.

**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, 2022 and 2021, the Organization made discretionary matching contributions to this plan in the amounts of \$51,818 and \$41,743, 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 \$68,768 and \$88,474 for the years ended August 31, 2022 and 2021, respectively, which are reflected as membership fees in the accompanying statements of functional expenses. The Organization had no amounts due to National as of August 31, 2022 and 2021.

**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 36% and 26% of the Organization's total operating revenue and other support for the years ended August 31, 2022 and 2021, respectively. As of August 31, 2022 and 2021, 75% and 87%, 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.

**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, 2022 and 2021, no amounts have been accrued related to such indemnification provisions.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 15. LIQUIDITY

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,214,480	\$ 1,908,807
Program fees receivable	757,903	787,747
Grants and contributions receivable	<u>769,074</u>	<u>630,457</u>
Total	<u>\$ 2,741,457</u>	<u>\$ 3,327,011</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, 2022 and 2021, 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

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>2022</u>	<u>2021</u>
Performance barriers	\$ 676,488	\$ 502,991
Incurring qualifying costs	<u>480,000</u>	<u>692,117</u>
	<u>\$ 1,156,488</u>	<u>\$ 1,195,108</u>

### 17. MERGER

On August 26, 2022, the Organization entered into a merger agreement with King Solomon Humanitarian Foundation for Handicapped Children, Inc. d/b/a The Bridge Center, Inc. (the Bridge Center), whereby the Bridge Center merged into the Organization with the Organization remaining as the surviving entity. The Bridge Center was a Massachusetts nonprofit organization providing specialized camps to individuals with physical and developmental disabilities. Under the terms of the agreement, the Organization assumed all assets of the Bridge Center. The assets assumed include land, buildings and related improvements. As of the date of the merger the Bridge Center had substantially terminated operations and had no employees. Consideration for the merger consisted primarily of the Organization's assumption and settlement of the Bridge Center's liabilities. The total gain on the merger was \$6,877,759 and is reflected in the accompanying 2022 statement of activities and changes in net assets as a contribution.

## EASTER SEALS MASSACHUSETTS, INC.

Notes to Financial Statements  
August 31, 2022 and 2021

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### 17. MERGER (Continued)

As of August 26, 2022, the major classes of assets and liabilities of the Bridge Center were as follows:

Assets:	
Land and buildings (see Note 5)	<u>\$ 7,000,000</u>
Liabilities and Net Assets:	
Accounts payable	9,771
PPP loan	<u>112,470</u>
Total liabilities	122,241
Net assets without donor restrictions	<u>6,877,759</u>
Total liabilities and net assets	<u>\$ 7,000,000</u>

Subsequent to August 31, 2022, the Organization paid the Bridget Center's PPP loan in full (see Note 7).

### 18. RECLASSIFICATIONS

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the fiscal year 2022 presentation.