Easter Seals, Inc. and Easter Seals Foundation

Consolidated Financial Report

December 31, 2022

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Independent Auditor's Report

To the Board of Directors
Easter Seals, Inc. and Easter Seals Foundation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation (collectively, Easterseals), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Easterseals as of December 31, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Easterseals and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As described in Note 3 to the consolidated financial statements, Easterseals adopted the provisions of Accounting Standards Update (ASU) No. 2016-02, *Leases*, as of January 1, 2022. Easterseals also adopted the provisions of ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation as of December 31, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on June 21, 2022.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
Easter Seals, Inc. and Easter Seals Foundation

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Easterseals' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Easterseals' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2023 on our consideration of Easter Seals, Inc. and Easter Seals Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Easter Seals, Inc. and Easter Seals Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Easter Seals, Inc. and Easter Seals Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 14, 2023

Consolidated Statement of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 2,891,000	$ 3,607,600
Investments	23,226,100	27,836,700
Receivables:		
Affiliates receivable, less allowance for doubtful accounts of $0 and $82,800 for 2022 and 2021, respectively	161,900	266,700
Pledges receivable	2,015,000	1,500,000
Government grants and contracts receivable	2,341,500	2,393,800
Other accounts receivable	470,300	595,100
Total receivables	4,988,700	4,755,600
Prepaid expenses and other current assets	998,900	823,400
Total current assets	32,104,700	37,023,300
Investments for Charitable Gift Annuities	935,700	1,311,400
Long-term Pledges Receivable	1,546,100	-
Beneficial Interest in Trusts	1,868,500	2,562,700
Property and Equipment - Net	1,166,900	1,333,000
Right-of-use Operating Lease Assets	5,932,400	-
Intangible Assets	200,000	200,000
Total noncurrent assets	11,649,600	5,407,100
Total assets	**$ 43,754,300**	**$ 42,430,400**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,185,800	$ 3,673,600
Capital lease obligation	-	4,500
Current portion of lease liabilities - Operating	1,229,200	-
Total current liabilities	5,415,000	3,678,100
Lease Liabilities - Operating	6,593,800	-
Deferred Rent and Other	3,800	2,403,800
Accounts Payable to Affiliates	251,600	386,600
Pension Liability	4,826,200	6,495,800
Charitable Gift Annuities	452,400	538,300
Total liabilities	17,542,800	13,502,600
Net Assets		
Net assets without donor restrictions:		
Undesignated	27,493,000	33,653,200
Net actuarial pension loss	(9,843,100)	(11,088,300)
Total net assets without donor restrictions	17,649,900	22,564,900
Net assets with donor restrictions	8,561,600	6,362,900
Total net assets	26,211,500	28,927,800
Total liabilities and net assets	**$ 43,754,300**	**$ 42,430,400**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, (Loss) Gains, and Other Support						
Contributions	$ 23,745,700	$ 5,146,200	$ 28,891,900	$ 27,974,800	$ 3,977,000	$ 31,951,800
Government grants	24,567,700	-	24,567,700	24,604,900	-	24,604,900
Contributions of nonfinancial assets	24,618,200	-	24,618,200	6,425,700	-	6,425,700
Change in value of beneficial interest in trusts	(101,500)	(592,700)	(694,200)	(54,700)	(66,500)	(121,200)
Membership fees from affiliates	4,923,600	-	4,923,600	4,952,900	-	4,952,900
Sales and services to affiliates	18,800	-	18,800	300	-	300
Miscellaneous revenue	975,600	-	975,600	1,092,500	-	1,092,500
Net investment (loss) gain	(3,700,000)	-	(3,700,000)	470,700	115,700	586,400
Net assets released from restrictions	2,354,800	(2,354,800)	-	859,700	(859,700)	-
Total revenue, gains, and other support	77,402,900	2,198,700	79,601,600	66,326,800	3,166,500	69,493,300
Expenses						
Program services:						
Program development for affiliates	22,651,100	-	22,651,100	22,265,300	-	22,265,300
Professional education and training for affiliates	3,503,600	-	3,503,600	2,619,700	-	2,619,700
Fundraising advisory for affiliates	3,906,100	-	3,906,100	4,726,800	-	4,726,800
Management advisory for affiliates	1,876,400	-	1,876,400	2,016,400	-	2,016,400
Public health education	20,387,300	-	20,387,300	10,760,500	-	10,760,500
Advocacy for persons with disabilities and research	13,066,900	-	13,066,900	3,867,300	-	3,867,300
Total program services	65,391,400	-	65,391,400	46,256,000	-	46,256,000
Supporting services:						
Fundraising	14,197,400	-	14,197,400	13,675,800	-	13,675,800
Management and general	3,198,700	-	3,198,700	3,055,500	-	3,055,500
Total supporting services	17,396,100	-	17,396,100	16,731,300	-	16,731,300
Total expenses	82,787,500	-	82,787,500	62,987,300	-	62,987,300
(Decrease) Increase in Net Assets - Before nonoperating (expenses) income	(5,384,600)	2,198,700	(3,185,900)	3,339,500	3,166,500	6,506,000
Nonoperating (Expenses) Income						
Net periodic pension benefit cost	(775,600)	-	(775,600)	(1,068,800)	-	(1,068,800)
Pension liability adjustments other than net periodic benefit cost	1,245,200	-	1,245,200	3,585,700	-	3,585,700
Total nonoperating income	469,600	-	469,600	2,516,900	-	2,516,900
(Decrease) Increase in Net Assets	(4,915,000)	2,198,700	(2,716,300)	5,856,400	3,166,500	9,022,900
Net Assets - Beginning of year	22,564,900	6,362,900	28,927,800	16,708,500	3,196,400	19,904,900
Net Assets - End of year	**$ 17,649,900**	**$ 8,561,600**	**$ 26,211,500**	**$ 22,564,900**	**$ 6,362,900**	**$ 28,927,800**

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services							Supporting Services			
	Program Development	Professional Education and Training	Fundraising Advisory	Management Advisory	Public Health Education	Advocacy for Persons with Disabilities and Research	Total	Fundraising	Management and General	Total	Total Expense
Salaries and related expenses	$ 996,400	$ 1,179,800	$ 679,100	$ 753,500	$ 459,900	$ 600	$ 4,069,300	$ 982,100	$ 1,921,000	$ 2,903,100	$ 6,972,400
Mail production and services	-	-	11,100	500	6,499,300	-	6,510,900	10,427,500	-	10,427,500	16,938,400
Grants and awards	19,722,300	300,000	1,770,400	1,100	219,900	362,500	22,376,200	1,170,500	7,700	1,178,200	23,554,400
Professional fees	1,225,900	1,574,500	1,245,500	815,600	672,900	350,100	5,884,500	1,093,400	675,600	1,769,000	7,653,500
Printing and media	4,800	3,200	4,300	6,200	12,327,700	12,327,400	24,673,600	1,800	800	2,600	24,676,200
Travel	36,500	92,300	3,200	32,700	3,200	-	167,900	14,800	23,800	38,600	206,500
Conferences and meetings	216,600	61,900	12,700	84,100	7,200	-	382,500	7,200	8,700	15,900	398,400
Occupancy	184,400	245,700	152,300	151,500	83,200	-	817,100	258,300	315,100	573,400	1,390,500
Telephone and communications	9,000	19,800	6,100	8,300	4,500	-	47,700	9,100	30,200	39,300	87,000
Office supplies	222,700	10,400	7,000	10,500	1,300	26,300	278,200	13,200	68,500	81,700	359,900
Postage and shipping	1,200	600	400	900	800	-	3,900	1,200	2,300	3,500	7,400
Miscellaneous	9,000	5,300	6,500	3,800	56,900	-	81,500	137,700	18,400	156,100	237,600
Repairs and maintenance	1,200	1,700	1,000	1,000	600	-	5,500	1,700	2,200	3,900	9,400
Depreciation	21,100	8,400	6,500	6,700	49,900	-	92,600	78,900	124,400	203,300	295,900
Total functional expenses	**$ 22,651,100**	**$ 3,503,600**	**$ 3,906,100**	**$ 1,876,400**	**$ 20,387,300**	**$ 13,066,900**	**$ 65,391,400**	**$ 14,197,400**	**$ 3,198,700**	**$ 17,396,100**	**$ 82,787,500**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services							Supporting Services			
	Program Development	Professional Education and Training	Fundraising Advisory	Management Advisory	Public Health Education	Advocacy for Persons with Disabilities and Research	Total	Fundraising	Management and General	Total	Total Expense
Salaries and related expenses	$ 994,700	$ 938,800	$ 768,600	$ 706,000	$ 244,900	$ 2,400	$ 3,655,400	$ 901,100	$ 1,692,900	$ 2,594,000	$ 6,249,400
Mail production and services	2,400	-	38,000	-	6,614,100	-	6,654,500	10,770,300	200	10,770,500	17,425,000
Grants and awards	19,764,500	2,200	2,735,900	500	49,800	160,000	22,712,900	353,900	4,600	358,500	23,071,400
Professional fees	1,132,000	1,368,100	921,100	1,048,700	417,500	344,300	5,231,700	1,158,300	805,800	1,964,100	7,195,800
Printing and media	21,200	4,000	39,200	23,900	3,334,200	3,334,200	6,756,700	14,300	4,000	18,300	6,775,000
Travel	2,700	28,900	2,400	4,400	1,200	-	39,600	6,100	3,300	9,400	49,000
Conferences and meetings	30,900	40,700	6,800	34,300	500	-	113,200	25,600	2,700	28,300	141,500
Occupancy	221,900	195,800	156,700	156,600	-	-	731,000	249,600	326,900	576,500	1,307,500
Telephone and communications	12,200	15,700	6,500	9,400	200	-	44,000	9,400	32,300	41,700	85,700
Office supplies	49,200	9,700	2,000	12,500	200	23,600	97,200	10,000	34,800	44,800	142,000
Postage and shipping	8,300	300	400	2,600	700	-	12,300	1,200	2,500	3,700	16,000
Miscellaneous	8,600	5,200	38,400	5,900	51,900	2,700	112,700	93,200	16,100	109,300	222,000
Repair and maintenance	1,700	1,500	1,200	1,200	-	-	5,600	1,900	2,600	4,500	10,100
Depreciation	15,000	8,800	9,600	10,400	45,300	100	89,200	80,900	126,800	207,700	296,900
Total functional expenses	**$ 22,265,300**	**$ 2,619,700**	**$ 4,726,800**	**$ 2,016,400**	**$ 10,760,500**	**$ 3,867,300**	**$ 46,256,000**	**$ 13,675,800**	**$ 3,055,500**	**$ 16,731,300**	**$ 62,987,300**

Consolidated Statement of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (2,716,300)	$ 9,022,900
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	295,900	296,900
Net realized and unrealized loss (gain) on investments	3,574,700	(119,700)
Change in value of perpetual trusts	694,200	(115,700)
Change in value of split-interest agreements	-	66,500
Change in value of pension liability	(469,600)	(2,516,900)
Amortization of right-of-use asset	962,000	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable from affiliates	104,800	(132,800)
Government grants and contracts receivable	52,300	116,200
Pledges receivable - Net	(2,061,100)	(1,500,000)
Other accounts receivable	124,800	178,800
Prepaid expenses	200,200	(25,600)
Beneficial interest in trusts	-	48,200
Accounts payable and accrued liabilities	512,200	(106,900)
Accounts payable to affiliates	(135,000)	4,600
Charitable gift annuities	(32,300)	12,400
Deferred rent and other	(297,300)	(218,700)
Operating lease liability	(1,178,600)	-
Payments on pension liability	(1,200,000)	(1,200,000)
Net cash and cash equivalents (used in) provided by operating activities	(1,569,100)	3,810,200
Cash Flows from Investing Activities		
Purchase of property and equipment	(129,800)	(4,300)
Purchases of investments	(1,499,500)	(26,826,500)
Proceeds from sales and maturities of investments	2,535,400	7,667,600
Net cash and cash equivalents provided by (used in) investing activities	906,100	(19,163,200)
Cash Flows from Financing Activities		
Payments to annuitants	(53,600)	(87,800)
Payments on capital lease obligations	-	(5,300)
Net cash and cash equivalents used in financing activities	(53,600)	(93,100)
Net Decrease in Cash and Cash Equivalents	(716,600)	(15,446,100)
Cash and Cash Equivalents - Beginning of year	3,607,600	19,053,700
Cash and Cash Equivalents - End of year	**$ 2,891,000**	**$ 3,607,600**

See notes to consolidated financial statements.

Note 1 - Nature of Business

Easter Seals, Inc. is leading the way to full equity, inclusion, and access through life-changing disability and community services. For more than 100 years, Easter Seals, Inc. and Easter Seals Foundation (collectively referred to as Easterseals) has worked tirelessly with partners to enhance quality of life and expand local access to mobility and transportation, health care, education, and employment opportunities.

Through its national network of 70 affiliates, Easterseals provides essential services and on-the-ground support to millions of people each year - from early childhood programs for the critical first five years, to autism services, medical rehabilitation and employment programs, veterans' services, and more. Easterseals' public education, policy, and advocacy initiatives positively shape perceptions and address the urgent and evolving needs of the one in four Americans living with disabilities today. Together, Easterseals is empowering people with disabilities, families, and communities to be full and equal participants in society.

Easter Seals, Inc. and its affiliates are each separately incorporated and are tax-exempt under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code and are, therefore, exempt from taxation under current income tax laws. Easterseals' consolidated financial statements do not include the accounts of these affiliates because they do not meet the criteria requiring consolidation. Each affiliate is a separately incorporated entity; has its own independent board of directors; conducts service programs independent of those of Easter Seals, Inc.; and maintains its own separate accounts. Each of the affiliates pays an annual membership fee to Easter Seals, Inc.; membership agreements between Easter Seals, Inc. and the affiliates describe various obligations, terms, and conditions of Easter Seals, Inc. and its affiliates.

Easterseals conducts a comprehensive national direct-response fundraising and public education campaign (the "National Campaign") in accordance with Easterseals' charitable goals and objectives outlined in its bylaws. Easterseals does not serve as an agent for its affiliates in conducting the National Campaign, but rather raises funds for Easterseals in cooperation with its affiliates. The National Campaign and the funds raised in the National Campaign are managed and distributed in accordance with the policies and procedural guidelines agreed to by Easterseals and its affiliates.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Easter Seals, Inc. and Easter Seals Foundation. Easter Seals, Inc. has a controlling financial interest and an economic interest in Easter Seals Foundation and, therefore, presents consolidated financial statements. All material intercompany accounts and transactions have been eliminated in consolidation.

Classification of Net Assets

Net assets of Easterseals are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of Easterseals.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Easterseals or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Note 2 - Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purpose of the accompanying financial statements, Easterseals considers all highly liquid short-term investments with original maturities of three months or less when purchased to be cash equivalents with the exception of cash held for reinvestment, which is included in investments. The carrying amount reported in the consolidated statement of financial position for cash and cash equivalents approximates fair value due to the short-term nature of these investments. Easterseals maintains its cash in financial institutions that at times may exceed federally insured limits. Easterseals has not experienced any losses in such accounts.

Investments

Investments in marketable securities are recorded at fair value based on quoted market prices. Changes in fair value are recorded as unrealized gains (losses) and are included in investment return on the consolidated statement of activities and changes in net assets. Investments are exposed to various risks, such as interest rate, market, and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially impact the amounts reported.

Affiliate Receivable

Affiliate receivables are carried at original invoice amount less an estimate for doubtful receivables (allowance) based on a monthly review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and considering historical experience. Affiliate receivables are written off when deemed uncollectible. Recoveries of affiliate receivables previously written off are recorded when received.

As required by the bylaws, any unpaid affiliate receivable balance, which became due and payable within any fiscal year, shall be paid by January 31 of the following fiscal year, unless Easterseals approved an arrangement for payment at a later date. Nonpayment of a past due account may result in a reclassification of the affiliate's membership status.

Property and Equipment

Property and equipment are recorded at cost. The straight-line method is used for computing depreciation and amortization. Assets are depreciated over their estimated useful lives. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Intangible Assets

Easterseals' domain name is considered an intangible asset with an indefinite life. Easterseals reviews the intangible asset for impairment on or about December 31 of each year. Recoverability for this asset is measured by comparing its carrying amount to the fair value. If the intangible asset is considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. Easterseals did not record any impairment during 2022 or 2021.

Beneficial Interest in Trusts

Easterseals has been designated as the beneficiary of assets held in remainder trusts administered by other trustees. Easterseals recognizes contribution revenue with donor restrictions and an asset for the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable reflect the valuation of the present value of the estimated future payments to Easterseals are recognized in the consolidated statement of activities and changes in net assets as a change in value of beneficial interest in trusts.

Note 2 - Significant Accounting Policies (Continued)

Easterseals has also been designated as the beneficiary of perpetual irrevocable trusts that are administered by other trustees. Under the terms of the trusts, Easterseals has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. Easterseals does not control the assets held by the outside trusts. The fair value of the beneficial interest in the trusts is recognized as an asset and as a contribution to be held in perpetuity at the date the trust is established. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the consolidated statement of activities and changes in net assets as change in value of beneficial interest in trusts. Annual distributions from the trust are reported as investment returns in the consolidated statement of activities and changes in net assets.

Charitable Gift Annuities

Easterseals has entered into gift annuity agreements whereby, upon receipt of an annuity gift, Easterseals pays the donor an annuity for the remainder of their life. At the time of the gift, the assets are recorded at their fair market value and an obligation is established for the present value of the annuity payments estimated to occur based upon the donor's life expectancy. The difference between the gift and the obligation is recognized as unrestricted contributions, as Easterseals does not allow for gift annuities to include donor-imposed restrictions.

Contributions and Government Grants

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as contributions without donor restrictions.

Conditional promises to give (those with a measurable performance or other barrier and a right of return) are not recognized as revenue until barriers prescribed by the grant agreements/pledge agreements are overcome. Conditional contributions that have been awarded but not yet recognized total approximately $13,545,000 and $12,941,000 as of December 31, 2022 and 2021, respectively.

Pledges Receivable

Pledges of cash and other assets, including unconditional promises to give in the future, are reported as revenue when granted or received, measured at fair value. Easterseals has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full. In addition, conditional promises to give are not included as revenue until conditions are substantially met.

Revenue Recognition

The primary revenue under contracts with a customer is membership fees received from affiliates. In general revenue recognition for various revenue streams coincides with the completion of related performance obligations. Easterseals maintains membership agreements with each affiliate whereby Easterseals provides brand, marketing, advocacy, fundraising, and other services and support to affiliates in exchange for membership fees. Affiliates are invoiced at the beginning of the month. In 2022, monthly membership fees include a base fee and supplemental fees based on that affiliate's total prior fiscal year expenditures. In 2021, monthly fees include a base fee and supplemental fees based on major markets included in the affiliate's assigned territory.

Note 2 - Significant Accounting Policies (Continued)

All performance obligations are met during the month for which the membership fees applies; therefore, at year end, Easterseals does not have any outstanding performance obligations or contract liabilities related to membership fees from affiliates.

Contributed Nonfinancial Assets

Certain contributed nonfinancial assets are recognized as revenue in the consolidated statement of activities and changes in net assets. The estimated fair value of contributed nonfinancial assets is based on estimated fair value, as described in Note 12.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based on actual time and effort. Office supplies, software, insurance, occupancy, depreciation, and telephone expenses are allocated by department headcounts. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Significant activities are as follows:

Program Development: Funds, leadership, and assistance to provide services for children and adults with autism and other disabilities. Primary services are medical rehabilitation, job training and employment, inclusive child care, adult day services, and camping and recreation. Building from Easterseals' expertise, Easterseals is focusing on four service areas of critical importance: young children, older adults, people living with autism, and military service members and veterans.

Professional Education and Training: Activities to improve the knowledge, skills, and critical judgment of affiliate staff, volunteers, caregivers, and other health and education professionals.

Fundraising Advisory: Training and consultation with Easterseals' affiliates to strengthen their relationships with donors and make the general public aware of the needs of children and adults with disabilities and their families.

Management Advisory: Managing Easterseals' brand and membership standards with affiliates; consulting on general management issues, including Easterseals' best practices for service delivery, board development, and doing business as a nonprofit; finance and accounting; budgeting; strategic planning; and personnel selection.

Public Health Education: Creating a public awareness about individuals living with disabilities and the issues they face through multimedia public education campaigns; community advocacy; and by providing up-to-date resources about disabilities disability awareness, opportunities, universal design, and other relevant topics. The primary focus is on young children, older adults, people living with autism, and military service members and veterans with disabilities.

Advocacy for Persons with Disabilities and Research: Activities to assure equal access and opportunities for people with disabilities and awards, grants, and/or activities to support studies or investigations in the physical and social sciences that seek new evidence-based knowledge to benefit children and adults with disabilities, their families, and the personnel that service them.

Note 2 - Significant Accounting Policies (Continued)

Leases

Easterseals has operating leases for office space. Easterseals recognizes expense for operating leases on a straight-line basis over the lease term. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

Easterseals elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for operating leases for office space.

Income Taxes

Easterseals, Inc. and Easter Seals Foundation are not-for-profit corporations and are exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Grants and Awards

Grants and awards to affiliates for program development purposes are considered unconditional and are recognized as expense once a grant or award has been made.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 14, 2023, which is the date the financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncements

As of January 1, 2022, Easterseals adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Easterseals elected to adopt the ASU using the modified retrospective method as of January 1, 2022 and applied the following practical expedients:

- Easterseals did not reassess if expired or existing contracts are or contain a lease.
- Easterseals did not reassess the lease classification for expired or existing leases.
- Easterseals did not reassess initial direct costs for any existing leases.
- Easterseals used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, Easterseals recorded a right-of-use asset of $6,894,400 and a lease liability of $9,001,600 as of January 1, 2022 for existing operating leases. There was no impact on net assets as a result of adopting the new ASU.

Note 3 - Adoption of New Accounting Pronouncements (Continued)

As of January 1, 2022, Easterseals adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the consolidated financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. This standard was adopted retrospectively and had no impact on net assets.

Note 4 - Liquidity and Availability of Resources

The following reflects Easterseals' financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

	2022	2021
Cash and cash equivalents	$ 2,891,000	$ 3,607,600
Investments	24,161,800	29,148,100
Affiliates receivable	161,900	266,700
Pledges receivable	3,561,100	1,500,000
Government grants and contracts receivable	2,341,500	2,393,800
Other accounts receivable	470,300	595,100
Beneficial interest in trusts	1,868,500	2,562,700
Financial assets - At year end	35,456,100	40,074,000
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	8,561,600	6,362,900
Charitable gift annuities	452,400	538,300
Financial assets available to meet cash needs for general expenditures within one year	$ 26,442,100	$ 33,172,800

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated statement of financial position date.

Easterseals has a goal to maintain financial assets, which consist of cash and short-term investments on hand to cover normal operating expenses. Easterseals has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Easterseals invests cash in excess of daily requirements in various short-term investments, including short-term fixed income funds.

Easterseals also realizes there could be unanticipated liquidity needs.

Note 5 - Pledges Receivable

Pledges receivable are expected to be received in the following periods as follows:

	2022	2021
Gross promises to give before unamortized discount	$ 3,665,000	$ -
Less allowance for net present value discount	(103,900)	-
Net contributions receivable	$ 3,561,100	$ -
Amounts due in:		
Less than one year	$ 2,015,000	$ 1,500,000
One to five years	1,650,000	-
Total	$ 3,665,000	$ 1,500,000

The discount rate used in determining the fair value of contributions receivable was 4.45 percent as of December 31, 2022. There was no discount rate utilized in 2021.

Note 6 - Beneficial Interest in Trusts

Easterseals' beneficial interest in charitable remainder trusts are summarized as follows:

	Discount Rate	Principal Amount 2022	Remaining Years	2022	2021
1998 charitable remainder trust	4.80%	$ 1,400,000	14	$ 127,000	$ 222,600
1999 charitable remainder trust	4.80%	1,000,000	12	544,300	827,600
2009 charitable remainder trust	4.80%	229,600	12	88,600	94,400
Total				$ 759,900	$ 1,144,600

Easterseals' beneficial interest in perpetual trusts is summarized as follows:

	Principal Amount 2022	Easter Seals Interest	2022	2021
2011 perpetual trust	$ 748,400	100%	$ 748,400	$ 972,000
2011 perpetual trust	2,930,000	10%	293,000	371,900
2011 perpetual trust	74,200	100%	67,200	74,200
Total	$ 3,752,600		$ 1,108,600	$ 1,418,100

Contribution revenue recognized in the consolidated statement of activities and changes in net assets related to the above beneficial interest in trusts was $0 for the years ended December 31, 2022 and 2021.

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Furniture and fixtures	$ 447,400	$ 447,500	5-11
Computer equipment and software	1,239,300	1,196,200	3-5
Leasehold improvements	1,262,000	1,262,000	Life of lease
Construction in progress	5,500	-	-
Total cost	2,954,200	2,905,700	
Accumulated depreciation	1,787,300	1,572,700	
Net property and equipment	$ 1,166,900	$ 1,333,000	

Depreciation expense for 2022 and 2021 was $295,900 and $296,600, respectively.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that Easterseals has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Easterseals’ assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 8 - Fair Value Measurements (Continued)

The following tables present information about Easterseals' assets measured at fair value on a recurring basis at December 31, 2022 and 2021 and the valuation techniques used by Easterseals to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Assets				
Money market funds	$ 496,500	$ -	$ -	$ 496,500
Equity securities:				
U.S. large cap - Mutual and ETF funds	4,077,500	-	-	4,077,500
U.S. small and mid cap - Mutual and ETF funds	1,469,000	-	-	1,469,000
Real estate mutual and ETF funds	380,300	-	-	380,300
International mutual and ETF funds	5,095,200	-	-	5,095,200
Total equity securities	11,022,000	-	-	11,022,000
Fixed-income securities:				
Government bonds	102,600	-	-	102,600
U.S. corporate bond mutual and ETF funds	12,540,700	-	-	12,540,700
Total fixed-income securities	12,643,300	-	-	12,643,300
Total investments	$ 24,161,800	$ -	$ -	$ 24,161,800
Beneficial interest in trusts	$ -	$ -	$ 1,868,500	$ 1,868,500

Note 8 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Assets				
Money market funds	$ 762,800	$ -	$ -	$ 762,800
Equity securities:				
U.S. large-cap growth - Mutual funds	6,339,900	-	-	6,339,900
U.S. small and mid cap - Mutual funds	128,800	-	-	128,800
Real estate mutual funds	553,100	-	-	553,100
International mutual funds	6,370,200	-	-	6,370,200
Total equity securities	13,392,000	-	-	13,392,000
Fixed-income securities:				
Government bonds	106,600	-	-	106,600
U.S. corporate bond mutual funds	14,886,700	-	-	14,886,700
Total fixed-income securities	14,993,300	-	-	14,993,300
Total investments	$ 29,148,100	$ -	$ -	$ 29,148,100
Beneficial interest in trusts	$ -	$ -	$ 2,562,700	$ 2,562,700

Easterseals maintains a portion of its investment portfolio in a separate account as a reserve for its charitable gift annuities. This reserve totaled $935,700 and $1,311,400 at December 31, 2022 and 2021, respectively.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2022 and 2021 are as follows:

	Beneficial Interest in Trusts
Balance at January 1, 2022	$ 2,562,700
Change in value of trusts	(694,200)
Balance at December 31, 2022	$ 1,868,500

	Beneficial Interest in Trusts
Balance at January 1, 2021	$ 2,513,500
Annual distributions from perpetual trusts	(54,100)
Change in value of trusts	103,300
Balance at December 31, 2021	$ 2,562,700

Note 9 - Investment (Losses) Returns and Net Unrealized (Losses) Gains

Investment returns recorded in the consolidated statement of activities and changes in net assets are as follows:

	2022	2021
Interest and dividends	$ 539,300	$ 296,900
Perpetual trust interest and dividends	72,400	54,100
Realized and unrealized (losses) gains	(4,311,700)	119,700
Perpetual trust unrealized gains	-	115,700
Total	$ (3,700,000)	$ 586,400

Note 10 - Affiliates (Unaudited)

Easterseals requires each affiliate to submit its annual audited financial statements, its annual return of organization exempt from income tax (Form 990, filed with the Internal Revenue Service), and an annual financial certification report by certain dates during each year. Easterseals headquarters reviews the audited financial statements and agrees the information to the annual financial certification report to ensure accuracy. The information is then aggregated and included in Easterseals' non-audited annual report. This unaudited financial information, summarized for the most recent annual reporting periods (2021 and 2020), is as follows:

	2021	2020
Total assets	$ 2,141,449,182	$ 1,720,786,000
Total liabilities	559,075,362	561,262,000
Total net assets (a)	1,582,373,820	1,159,524,000
Total revenue	2,112,858,927	1,877,329,000
Total expenses and other changes in net assets	1,798,633,560	1,838,142,000

(a) Balances reflected above are aggregate totals for affiliates reporting in each year.

The nature of Easterseals' relationship with its affiliates, as described in the membership agreements, does not require consolidation under accounting principles generally accepted in the United States of America.

As participants in Easterseals organization, affiliates paid membership fees of $4,923,600 and $4,952,900 for 2022 and 2021, respectively. Accounts receivable balances from affiliates, after allowances for uncollectible accounts, at December 31, 2022 and 2021 were $161,900 and $266,700, respectively. These amounts are classified in current assets based on timing of expected payments.

The aggregate amount of contributions and charitable gift annuities for which Easterseals is obligated to its Affiliates as of December 31, 2022 and 2021 is $251,600 and $386,600, respectively. As of December 31, 2022 and 2021, the contributions and charitable gift annuities are payable as follows:

	2022	2021
Gross amounts due in:		
One year	$ -	$ -
One to five years	40,000	-
Thereafter	211,600	386,600
Total	$ 251,600	$ 386,600

Note 11 - Net Assets

Net assets with donor restrictions as of December 31 are available for the following purposes:

	2022	2021
Subject to expenditures for a specified purpose - Program restrictions:		
Advocacy	$ 50,000	$ 59,200
Geographic location	16,000	53,500
Education	837,600	513,100
Services for young children	2,019,300	2,969,300
Services for veterans	10,000	10,000
Total subject to expenditures for a specified purpose	2,932,900	3,605,100
Subject to the passage of time:		
Time restriction	390,700	175,100
Beneficial interest in trusts	1,653,000	2,562,700
Total subject to the passage of time	2,043,700	2,737,800
Subject to purpose and time restrictions - Pledges receivable:		
Geographic location	675,000	-
Education	1,960,000	-
Services for young children	930,000	-
Total subject to purpose and time restrictions	3,565,000	-
Not subject to appropriation or expenditure	20,000	20,000
Total	$ 8,561,600	$ 6,362,900

Note 12 - Contributed Nonfinancial Assets

In-kind donations recognized by Easterseals for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Public service announcements	$ 24,611,700	$ 6,425,700
Event space	6,500	-
Total	$ 24,618,200	$ 6,425,700

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed nonfinancial assets are valued and reported at their estimated fair value in the consolidated financial statements. Contributed public service announcements are valued based on the number of airings and average market media prices obtained from the nation's largest media buying sources. Contributed event space is valued based on market prices to rent the event space used. None of the contributed nonfinancial assets were sold or monetized. The public service announcements are included in printing and media on the consolidated statement of functional expenses, benefiting the public health education and advocacy for persons with disabilities and research program services.

Note 13 - Allocation of Joint Information Costs

For the years ended December 31, 2022 and 2021, Easterseals incurred joint program services costs of $16,938,400 and $17,425,000, respectively, for informational materials that included fundraising appeals. For 2022 and 2021, Easterseals allocated $6,499,300 and $6,614,100, respectively, to public health education and $10,427,500 and $10,770,300, respectively, to fundraising.

Note 14 - Pension Plan

Easterseals has a defined benefit pension plan which had covered substantially all of its employees as of the last plan amendment. Benefits are based on years of service and the employee's average compensation. Easterseals' funding policy has been to contribute annually an amount equal to at least the minimum amount required under the applicable employment retirement regulations. The plan was last amended effective April 30, 2012, freezing eligibility, compensation, and benefit accruals.

The following tables set forth the accumulated benefit obligation, projected benefit obligation, and the change in the plan assets of the defined benefit pension plan with measurement dates of December 31, 2022 and 2021. The tables also reflect the funded status of the plan, as well as recognized and unrecognized amounts in the consolidated statement of financial position.

Obligations and Funded Status

	Pension Benefits	
	2022	2021
Projected benefit obligation	$ 28,463,800	$ 36,654,700
Fair value of plan	23,637,600	30,158,900
Funded status	$ (4,826,200)	$ (6,495,800)

Amounts recognized in the consolidated statement of financial position consist of the following:

	Pension Benefits	
	2022	2021
Noncurrent liabilities	$ (4,826,200)	$ (6,495,800)

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions during the reporting period include the following:

	Pension Benefits	
	2022	2021
Current year actuarial loss	$ (169,500)	$ (1,942,500)
Amortization of net loss	(1,075,700)	(1,643,200)
Total recognized in nonoperating (expense) income	$ (1,245,200)	$ (3,585,700)

The accumulated benefit obligation for the defined benefit pension plans was $28,463,800 and $36,654,700 at December 31, 2022 and 2021, respectively.

Components of net periodic benefit cost are as follows:

	Pension Benefits	
	2022	2021
Net Periodic Benefit Cost		
Interest cost	$ 962,000	$ 888,300
Expected return on plan assets	(1,262,100)	(1,462,700)
Amortization of net loss	1,075,700	1,643,200
Total recognized in net periodic benefit cost	$ 775,600	$ 1,068,800

Note 14 - Pension Plan (Continued)

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	Pension Benefits	
	2022	2021
Discount rate	5.10%	2.70%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31 are as follows:

	Pension Benefits	
	2022	2021
Discount rate	2.70%	2.35%
Expected long-term return on plan assets	5%	6%
Rate of compensation increase	N/A	N/A

The overall expected rate of return on plan assets represents a weighted-average composite rate based on the historical rates of returns of the respective asset classes.

Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from Easterseals, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and ensures timely payment of retirement benefits.

Easterseals' overall investment strategy is to achieve a mix of approximately 97 percent of investments for long-term growth and 3 percent for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers.

The fair values of Easterseals' pension plan assets at December 31, 2022 by major asset classes are as follows:

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Equity securities:				
U.S. large cap	$ 3,221,400	$ -	$ -	$ 3,221,400
U.S. small and mid cap	2,724,600	-	-	2,724,600
International	4,816,100	-	-	4,816,100
Fixed income - Short term	2,903,300	-	-	2,903,300
Fixed income	9,972,200	-	-	9,972,200
Total	$ 23,637,600	$ -	$ -	23,637,600
Total investments at fair value				$ 23,637,600

Note 14 - Pension Plan (Continued)

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Equity securities:				
U.S. large cap	$ 2,755,000	$ -	$ -	$ 2,755,000
Small and mid cap	2,944,200	-	-	2,944,200
International	5,369,000	-	-	5,369,000
Total	$ 11,068,200	$ -	$ -	11,068,200
Investments measured at NAV - Pooled separate accounts:				
LargeCap S&P 500 Index Separate Account (a)				1,375,800
LDI Short Duration Separate Account (b)				905,800
LDI Medium Duration Separate Account (c)				3,001,100
LDI Long Duration Separate Account (d)				13,808,000
Total investments measured at NAV				19,090,700
Total investments at fair value				$ 30,158,900

(a) LargeCap S&P 500 Index Separate Account includes investments in common stock of U.S. companies that have a market capitalization of more than $16 billion.

(b) LDI Short Duration Separate Account includes investments in fixed-income securities considered to be investment-grade quality, which mature in less than 3 years. The portfolio also includes investments in U.S. Treasury bonds, bills and notes, and obligations of federal agencies and instrumentalities.

(c) LDI Medium Duration Separate Account includes investments primarily in fixed-income securities with maturities of 3-10 years.

(d) LDI Long Duration Separate Account includes investments primarily in fixed-income securities, which mature in 13-15 years. In addition, it may invest in over-the-counter derivative instruments, such as options and futures.

There are no unfunded commitments on any of the pooled separate accounts. The redemption frequency is daily and the redemption notice period is one day.

The tables above present information about the pension plan assets measured at fair value at December 31, 2022 and 2021 and the valuation techniques used by Easterseals to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the plan has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 14 - Pension Plan (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Easterseals' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Cash Flow

Contributions

Easterseals expects to contribute approximately $1,200,000 to its pension plan in 2023.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years Ending	Pension Benefits
2023	$ 2,100,000
2024	2,080,000
2025	2,080,000
2026	2,080,000
2027	2,060,000
Thereafter	10,150,000

Note 15 - Leases

Easterseals is obligated under operating leases for office space, expiring at various dates through December 2028. The right-of-use asset and related lease liability have been calculated using a discount rate of 1.75 percent. The leases require Easterseals to pay taxes, insurance, utilities, and maintenance costs, which are nonlease components. Total rent expense under these leases was $1,110,100 and $1,072,300 for 2022 and 2021, respectively.

In connection with the operating leases, Easterseals was granted lease incentives, including the lessor paid the lease termination penalty on a previous lease, tenant improvement allowances, and rent abatements. Deferred lease incentives reflected in the accompanying consolidated statement of financial position are being amortized on a straight-line basis over the term of the lease ending in 2028.

Note 15 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2023	$ 1,356,300
2024	1,386,700
2025	1,417,700
2026	1,449,500
2027	1,481,900
Thereafter	1,147,000
Total	8,239,100
Less amount representing interest	416,100
Present value of net minimum lease payments	7,823,000
Long-term obligations under leases	$ 6,593,800

Expenses recognized under these leases for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
Lease cost - Operating lease cost:		
Amortization of right-of-use assets	$ 962,000	$ -
Operating lease cost	1,110,100	1,072,300
Total lease cost	$ 2,072,100	$ 1,072,300
Other information - Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ 1,326,700	$ -

Easterseals subleases its office space in Washington, D.C. through June 2028. Sublease rentals to be received in the future under the noncancelable sublease total $2,697,000. Rental income under the sublease was $465,100 and $475,700 for 2022 and 2021, respectively.

Future minimum annual payments to be received under the sublease are as follows:

Years Ending	Amount
2023	$ 463,600
2024	475,200
2025	487,100
2026	499,300
2027	511,700
Thereafter	260,100
Total	$ 2,697,000

Note 16 - Contingencies

Easterseals is occasionally party to lawsuits and claims arising out of the conduct of its business. Easterseals' management is of the opinion that the outcome of these matters will not have a material impact on the consolidated financial statements.