
Easter Seals, Inc. and Easter Seals Foundation

**Consolidated Financial Report
December 31, 2023**

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Independent Auditor's Report

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

Report on the Audits 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, 2023 and 2022 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years 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, 2023 and 2022 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) 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 Audits 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 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 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.

Auditor's Responsibilities for the Audits 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 audits 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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2024 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.



June 17, 2024

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,488,100	\$ 2,891,000
Investments	25,027,200	23,226,100
Receivables:		
Affiliates receivable - Less allowance for doubtful accounts of \$60,700 and \$0 for 2023 and 2022, respectively	70,800	161,900
Pledges receivable	333,200	2,015,000
Government grants and contracts receivable	2,323,600	2,341,500
Other accounts receivable	406,400	470,300
Total receivables	3,134,000	4,988,700
Prepaid expenses and other current assets	863,600	998,900
Total current assets	31,512,900	32,104,700
Investments for Charitable Gift Annuities	1,041,600	935,700
Long-term Pledges Receivable - Net	756,200	1,546,100
Beneficial Interest in Trusts	2,257,900	1,868,500
Property and Equipment - Net	1,018,400	1,166,900
Right-of-use Operating Lease Assets	4,949,300	5,932,400
Intangible Assets	200,000	200,000
Total noncurrent assets	10,223,400	11,649,600
Total assets	\$ 41,736,300	\$ 43,754,300
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 4,366,200	\$ 4,185,800
Current portion of lease liabilities - Operating	1,281,500	1,229,200
Total current liabilities	5,647,700	5,415,000
Lease Liabilities - Operating	5,312,200	6,593,800
Other Long-term Liabilities	65,600	3,800
Accounts Payable to Affiliates	709,800	251,600
Pension Liability	3,149,200	4,826,200
Charitable Gift Annuities	498,000	452,400
Total liabilities	15,382,500	17,542,800
Net Assets		
Net assets without donor restrictions:		
Undesignated	27,886,700	27,493,000
Net actuarial pension loss	(8,143,700)	(9,843,100)
Total net assets without donor restrictions	19,743,000	17,649,900
Net assets with donor restrictions	6,610,800	8,561,600
Total net assets	26,353,800	26,211,500
Total liabilities and net assets	\$ 41,736,300	\$ 43,754,300

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Activities and Changes in Net Assets

Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains (Loss), and Other Support						
Contributions	\$ 21,585,900	\$ 770,900	\$ 22,356,800	\$ 23,745,700	\$ 5,146,200	\$ 28,891,900
Government grants	25,463,500	-	25,463,500	24,567,700	-	24,567,700
Contributions of nonfinancial assets	17,190,100	-	17,190,100	24,618,200	-	24,618,200
Change in value of beneficial interest in trusts	30,400	303,600	334,000	(101,500)	(592,700)	(694,200)
Membership fees from affiliates	4,942,400	-	4,942,400	4,923,600	-	4,923,600
Sales and services to affiliates	-	-	-	18,800	-	18,800
Miscellaneous revenue	933,900	-	933,900	975,600	-	975,600
Net investment gain (loss)	2,947,900	-	2,947,900	(3,700,000)	-	(3,700,000)
Net assets released from restrictions	3,025,300	(3,025,300)	-	2,354,800	(2,354,800)	-
Total revenue, gains, and other support	76,119,400	(1,950,800)	74,168,600	77,402,900	2,198,700	79,601,600
Expenses						
Program services:						
Program development for affiliates	26,697,500	-	26,697,500	22,651,100	-	22,651,100
Professional education and training for affiliates	3,314,900	-	3,314,900	3,503,600	-	3,503,600
Fundraising and management advisory for affiliates	4,244,500	-	4,244,500	5,782,500	-	5,782,500
Public health education	14,714,700	-	14,714,700	20,387,300	-	20,387,300
Advocacy for persons with disabilities and research	9,152,000	-	9,152,000	13,066,900	-	13,066,900
Total program services	58,123,600	-	58,123,600	65,391,400	-	65,391,400
Supporting services:						
Fundraising	12,992,000	-	12,992,000	14,197,400	-	14,197,400
Management and general	3,387,700	-	3,387,700	3,198,700	-	3,198,700
Total supporting services	16,379,700	-	16,379,700	17,396,100	-	17,396,100
Total expenses	74,503,300	-	74,503,300	82,787,500	-	82,787,500
Increase (Decrease) in Net Assets - Before nonoperating income	1,616,100	(1,950,800)	(334,700)	(5,384,600)	2,198,700	(3,185,900)
Nonoperating (Expenses) Income						
Net periodic pension benefit cost	(1,222,400)	-	(1,222,400)	(775,600)	-	(775,600)
Pension liability adjustments other than net periodic benefit cost	1,699,400	-	1,699,400	1,245,200	-	1,245,200
Total nonoperating income	477,000	-	477,000	469,600	-	469,600
Increase (Decrease) in Net Assets	2,093,100	(1,950,800)	142,300	(4,915,000)	2,198,700	(2,716,300)
Net Assets - Beginning of year	17,649,900	8,561,600	26,211,500	22,564,900	6,362,900	28,927,800
Net Assets - End of year	\$ 19,743,000	\$ 6,610,800	\$ 26,353,800	\$ 17,649,900	\$ 8,561,600	\$ 26,211,500

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Program Services					Supporting Services			Total Expense	
	Program Development	Professional Education and Training	Fundraising and Management Advisory	Public Health Education	Advocacy for Persons with Disabilities and Research	Total	Fundraising	Management and General		Total
Salaries and related expenses	\$ 1,474,800	\$ 808,600	\$ 1,333,900	\$ 612,500	\$ -	\$ 4,229,800	\$ 949,300	\$ 2,213,500	\$ 3,162,800	\$ 7,392,600
Mail production and services	-	-	32,600	4,639,400	-	4,672,000	8,727,000	-	8,727,000	13,399,000
Grants and awards	22,454,800	-	1,122,200	50,400	-	23,627,400	80,900	-	80,900	23,708,300
Professional fees	2,005,600	2,163,900	1,337,700	689,000	584,500	6,780,700	2,717,900	569,000	3,286,900	10,067,600
Printing and media	800	25,800	10,400	8,457,800	8,443,600	16,938,400	1,900	800	2,700	16,941,100
Travel	80,900	71,300	40,500	19,100	6,700	218,500	27,400	53,800	81,200	299,700
Conferences and meetings	112,900	44,400	33,800	3,100	92,000	286,200	15,200	19,200	34,400	320,600
Occupancy	287,800	167,700	275,500	125,700	-	856,700	209,400	287,700	497,100	1,353,800
Telephone and communications	11,400	12,000	10,100	5,200	-	38,700	6,700	23,900	30,600	69,300
Office supplies	203,100	9,600	22,700	12,500	24,900	272,800	5,600	76,900	82,500	355,300
Postage and shipping	1,500	200	600	1,000	300	3,600	1,500	2,400	3,900	7,500
Miscellaneous	13,600	3,900	11,100	47,000	-	75,600	153,000	18,600	171,600	247,200
Repairs and maintenance	3,400	2,000	3,200	1,500	-	10,100	2,400	3,800	6,200	16,300
Depreciation	46,900	5,500	10,200	50,500	-	113,100	93,800	118,100	211,900	325,000
Total functional expenses	\$ 26,697,500	\$ 3,314,900	\$ 4,244,500	\$ 14,714,700	\$ 9,152,000	\$ 58,123,600	\$ 12,992,000	\$ 3,387,700	\$ 16,379,700	\$ 74,503,300

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services					Supporting Services			Total Expense	
	Program Development	Professional Education and Training	Fundraising and Management Advisory	Public Health Education	Advocacy for Persons with Disabilities and Research	Total	Fundraising	Management and General		Total
Salaries and related expenses	\$ 996,400	\$ 1,179,800	\$ 1,432,600	\$ 459,900	\$ 600	\$ 4,069,300	\$ 982,100	\$ 1,921,000	\$ 2,903,100	\$ 6,972,400
Mail production and services	-	-	11,600	6,499,300	-	6,510,900	10,427,500	-	10,427,500	16,938,400
Grants and awards	19,722,300	300,000	1,771,500	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	2,061,100	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	10,500	12,327,700	12,327,400	24,673,600	1,800	800	2,600	24,676,200
Travel	36,500	92,300	35,900	3,200	-	167,900	14,800	23,800	38,600	206,500
Conferences and meetings	216,600	61,900	96,800	7,200	-	382,500	7,200	8,700	15,900	398,400
Occupancy	184,400	245,700	303,800	83,200	-	817,100	258,300	315,100	573,400	1,390,500
Telephone and communications	9,000	19,800	14,400	4,500	-	47,700	9,100	30,200	39,300	87,000
Office supplies	222,700	10,400	17,500	1,300	26,300	278,200	13,200	68,500	81,700	359,900
Postage and shipping	1,200	600	1,300	800	-	3,900	1,200	2,300	3,500	7,400
Miscellaneous	9,000	5,300	10,300	56,900	-	81,500	137,700	18,400	156,100	237,600
Repair and maintenance	1,200	1,700	2,000	600	-	5,500	1,700	2,200	3,900	9,400
Depreciation	21,100	8,400	13,200	49,900	-	92,600	78,900	124,400	203,300	295,900
Total functional expenses	\$ 22,651,100	\$ 3,503,600	\$ 5,782,500	\$ 20,387,300	\$ 13,066,900	\$ 65,391,400	\$ 14,197,400	\$ 3,198,700	\$ 17,396,100	\$ 82,787,500

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 142,300	\$ (2,716,300)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation expense	325,000	295,900
Net realized and unrealized (gain) loss on investments	(2,051,100)	3,574,700
Change in value of perpetual trusts	(334,000)	694,200
Change in value of pension liability	(477,000)	(469,600)
Amortization of right-of-use asset	983,100	962,000
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable from affiliates	91,100	104,800
Government grants and contracts receivable	17,900	52,300
Pledges receivable - Net	2,471,700	(2,061,100)
Other accounts receivable	63,900	124,800
Prepaid expenses	135,300	200,200
Accounts payable and accrued liabilities	180,400	512,200
Accounts payable to affiliates	458,200	(135,000)
Charitable gift annuities	99,000	(32,300)
Other long-term liabilities	61,800	(297,300)
Operating lease liability	(1,229,300)	(1,178,600)
Payments on pension liability	(1,200,000)	(1,200,000)
Net cash and cash equivalents used in operating activities	(261,700)	(1,569,100)
Cash Flows from Investing Activities		
Purchase of property and equipment	(176,500)	(129,800)
Purchases of investments	(2,967,100)	(1,499,500)
Proceeds from sales and maturities of investments	3,111,200	2,535,400
Net cash and cash equivalents (used in) provided by investing activities	(32,400)	906,100
Cash Flows from Financing Activities		
Payments to annuitants	(53,400)	(53,600)
Contributions received on perpetual trusts	(55,400)	-
Net cash and cash equivalents used in financing activities	(108,800)	(53,600)
Net Decrease in Cash and Cash Equivalents	(402,900)	(716,600)
Cash and Cash Equivalents - Beginning of year	2,891,000	3,607,600
Cash and Cash Equivalents - End of year	\$ 2,488,100	\$ 2,891,000

December 31, 2023 and 2022

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) have 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 that 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 2023 or 2022.

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 and 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 the donor's 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, 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 \$13,781,200 and \$13,545,000 as of December 31, 2023 and 2022, 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 2023 and 2022, monthly membership fees include a base fee and supplemental fees based on that affiliate's total prior fiscal year expenditures.

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 11.

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 require 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 head counts. 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 and Management 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. 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

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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 2 - Significant Accounting Policies (Continued)

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.

Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. The 2022 program services expenses presented as fundraising advisory activities and management advisory activities have been combined as fundraising and management advisory activities on the consolidated statement of activities and changes in net assets and consolidated statement of functional expenses. There has been no impact on net assets as a result of the reclassifications.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 17, 2024, which is the date the financial statements were available to be issued.

Note 3 - 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:

	2023	2022
Cash and cash equivalents	\$ 2,488,100	\$ 2,891,000
Investments	26,068,800	24,161,800
Affiliates receivable	70,800	161,900
Pledges receivable	1,089,400	3,561,100
Government grants and contracts receivable	2,323,600	2,341,500
Other accounts receivable	406,400	470,300
Beneficial interest in trusts	2,257,900	1,868,500
	<u>34,705,000</u>	<u>35,456,100</u>
Financial assets - At year end		
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions	6,610,800	8,561,600
Charitable gift annuities	498,000	452,400
	<u>7,108,800</u>	<u>9,014,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 27,596,200</u>	<u>\$ 26,442,100</u>

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 3 - Liquidity and Availability of Resources (Continued)

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 4 - Pledges Receivable

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

	2023	2022
Gross promises to give before unamortized discount	\$ 1,158,200	\$ 3,665,000
Less allowance for net present value discount	<u>(68,800)</u>	<u>(103,900)</u>
Net contributions receivable	<u>\$ 1,089,400</u>	<u>\$ 3,561,100</u>
Amounts due in:		
Less than one year	\$ 333,200	\$ 2,015,000
One to five years	<u>825,000</u>	<u>1,650,000</u>
Total	<u>\$ 1,158,200</u>	<u>\$ 3,665,000</u>

The discount rate used in determining the fair value of contributions receivable was 4.45 percent as of December 31, 2023 and 2022.

Note 5 - Beneficial Interest in Trusts

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

	Discount Rate	Principal Amount 2023	Remaining Years	2023	2022
1998 charitable remainder trust	4.80%	\$ 1,400,000	14	\$ 103,400	\$ 127,000
1999 charitable remainder trust	4.80%	1,000,000	12	584,000	544,300
2009 charitable remainder trust	4.80%	229,600	12	<u>142,500</u>	<u>88,600</u>
Total				<u>\$ 829,900</u>	<u>\$ 759,900</u>

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

	Principal Amount 2023	Easter Seals Interest	2023	2022
2011 perpetual trust	\$ 833,200	100.00%	\$ 833,200	\$ 748,400
2011 perpetual trust	3,197,800	12.50%	399,700	293,000
2011 perpetual trust	69,100	100.00%	69,100	67,200
2023 perpetual trust	<u>4,536,900</u>	2.78%	<u>126,000</u>	<u>-</u>
Total	<u>\$ 8,637,000</u>		<u>\$ 1,428,000</u>	<u>\$ 1,108,600</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 5 - Beneficial Interest in Trusts (Continued)

Contribution revenue recognized in the consolidated statement of activities and changes in net assets related to the above beneficial interest in trusts was \$55,400 and \$0 for the years ended December 31, 2023 and 2022, respectively.

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Furniture and fixtures	\$ 453,000	\$ 447,400	5-11
Computer equipment and software	1,344,600	1,239,300	3-5
Leasehold improvements	1,262,000	1,262,000	Life of lease
Construction in progress	-	5,500	-
Total cost	3,059,600	2,954,200	
Accumulated depreciation	2,041,200	1,787,300	
Net property and equipment	<u>\$ 1,018,400</u>	<u>\$ 1,166,900</u>	

Depreciation expense for 2023 and 2022 was \$325,000 and \$295,900, respectively.

Note 7 - 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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 7 - Fair Value Measurements (Continued)

The following tables present information about Easterseals' assets measured at fair value on a recurring basis at December 31, 2023 and 2022 and the valuation techniques used by Easterseals to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	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, 2023
Assets				
Money market funds	\$ 231,600	\$ -	\$ -	\$ 231,600
Equity securities:				
U.S. large cap - Mutual and ETF funds	4,999,400	-	-	4,999,400
U.S. small and mid cap - Mutual and ETF funds	722,500	-	-	722,500
Real estate mutual and ETF funds	444,200	-	-	444,200
International mutual and ETF funds	5,268,700	-	-	5,268,700
Total equity securities	11,434,800	-	-	11,434,800
Fixed-income securities:				
Government bonds	7,986,500	-	-	7,986,500
U.S. corporate bond mutual and ETF funds	6,415,900	-	-	6,415,900
Total fixed-income securities	14,402,400	-	-	14,402,400
Total investments	\$ 26,068,800	\$ -	\$ -	\$ 26,068,800
Beneficial interest in trusts	\$ -	\$ -	\$ 2,257,900	\$ 2,257,900

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 7 - Fair Value Measurements (Continued)

	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 growth - Mutual funds	4,077,500	-	-	4,077,500
U.S. small and mid cap - Mutual funds	1,469,000	-	-	1,469,000
Real estate mutual funds	380,300	-	-	380,300
International mutual 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 funds	12,540,700	-	-	12,540,700
Total fixed-income securities	12,643,300	-	-	12,643,300
Total investments	<u>\$ 24,161,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,161,800</u>
Beneficial interest in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,868,500</u>	<u>\$ 1,868,500</u>

Easterseals maintains a portion of its investment portfolio in a separate account as a reserve for its charitable gift annuities. This reserve totaled \$1,041,600 and \$935,700 at December 31, 2023 and 2022, respectively.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2023 and 2022 are as follows:

Balance at January 1, 2023	\$ 1,868,500
Contributions to perpetual trusts	55,400
Change in value of trusts	334,000
Balance at December 31, 2023	<u>\$ 2,257,900</u>
Balance at January 1, 2022	\$ 2,562,700
Change in value of trusts	(694,200)
Balance at December 31, 2022	<u>\$ 1,868,500</u>

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 8 - Investment Returns (Losses) and Net Unrealized Gains (Losses)

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

	2023	2022
Interest and dividends	\$ 912,700	\$ 612,700
Perpetual trust interest and dividends	59,900	72,400
Realized and unrealized gains (losses)	2,051,100	(4,311,700)
Investment management fees	(75,800)	(73,400)
Total	<u>\$ 2,947,900</u>	<u>\$ (3,700,000)</u>

Note 9 - 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' nonaudited annual report. This unaudited financial information, summarized for the most recent annual reporting periods (2022 and 2021), is as follows:

	2022	2021
Total assets	\$ 2,161,052,500	\$ 2,141,449,200
Total liabilities	547,392,200	559,075,400
Total net assets (a)	1,613,660,300	1,582,373,800
Total revenue	2,125,318,500	2,112,858,900
Total expenses and other changes in net assets	2,035,894,600	1,798,633,600

(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 \$4,942,400 and \$4,923,600 for 2023 and 2022, respectively. Accounts receivable balances from affiliates, after allowances for uncollectible accounts, at December 31, 2023 and 2022 were \$70,800 and \$161,900, 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, 2023 and 2022 is \$709,800 and \$251,600, respectively. As of December 31, 2023 and 2022, the contributions and charitable gift annuities are payable as follows:

	2023	2022
Gross amounts due in:		
One year	\$ 214,600	\$ -
One to five years	260,000	40,000
Thereafter	235,200	211,600
Total	<u>\$ 709,800</u>	<u>\$ 251,600</u>

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 10 - Net Assets

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

	2023	2022
Subject to expenditures for a specified purpose - Program restrictions:		
Advocacy	\$ 50,000	\$ 50,000
Geographic location	285,000	16,000
Education	1,717,000	837,600
Services for young children	1,329,600	2,019,300
Services for veterans	10,000	10,000
	<u>3,391,600</u>	<u>2,932,900</u>
Total subject to expenditures for a specified purpose		
Subject to the passage of time:		
Time restriction	97,800	390,700
Beneficial interest in trusts	2,012,000	1,653,000
	<u>2,109,800</u>	<u>2,043,700</u>
Total subject to the passage of time		
Subject to purpose and time restrictions - Pledges receivable:		
Geographic location	225,000	675,000
Education	341,200	1,960,000
Services for young children	200,000	930,000
Time restriction	323,200	-
	<u>1,089,400</u>	<u>3,565,000</u>
Total subject to purpose and time restrictions		
Not subject to appropriation or expenditure	20,000	20,000
	<u>20,000</u>	<u>20,000</u>
Total	<u>\$ 6,610,800</u>	<u>\$ 8,561,600</u>

Note 11 - Contributed Nonfinancial Assets

In-kind donations recognized by Easterseals for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Public service announcements	\$ 16,854,100	\$ 24,611,700
Event space	-	6,500
Professional lobbying services	336,000	-
	<u>17,190,100</u>	<u>24,618,200</u>
Total	<u>\$ 17,190,100</u>	<u>\$ 24,618,200</u>

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. Contributed professional lobbying services are valued based on the hours of services performed. 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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 12 - Allocation of Joint Information Costs

For the years ended December 31, 2023 and 2022, Easterseals incurred joint program services costs of \$13,399,000 and \$16,938,400, respectively, for informational materials that included fundraising appeals. For 2023 and 2022, Easterseals allocated \$4,639,400 and \$6,499,300, respectively, to public health education and \$8,727,000 and \$10,427,500, respectively, to fundraising.

Note 13 - 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, 2023 and 2022. 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	
	2023	2022
Projected benefit obligation	\$ 28,469,900	\$ 28,463,800
Fair value of plan	25,320,700	23,637,600
Funded status	<u>\$ (3,149,200)</u>	<u>\$ (4,826,200)</u>

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

	Pension Benefits	
	2023	2022
Noncurrent liabilities	\$ (3,149,200)	\$ (4,826,200)

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

	Pension Benefits	
	2023	2022
Current year actuarial loss	\$ (725,000)	\$ (169,500)
Amortization of net loss	(974,400)	(1,075,700)
Total recognized in nonoperating expense	<u>\$ (1,699,400)</u>	<u>\$ (1,245,200)</u>

The accumulated benefit obligation for the defined benefit pension plan was \$28,469,900 and \$28,463,800 at December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 13 - Pension Plan (Continued)

Components of net periodic benefit cost are as follows:

	Pension Benefits	
	2023	2022
Net Periodic Benefit Cost		
Interest cost	\$ 1,398,100	\$ 962,000
Expected return on plan assets	(1,150,100)	(1,262,100)
Amortization of net loss	974,400	1,075,700
	<u>\$ 1,222,400</u>	<u>\$ 775,600</u>
Total recognized in net periodic benefit cost		

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

	Pension Benefits	
	2023	2022
Discount rate	4.85%	5.10%
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	
	2023	2022
Discount rate	5.10%	2.70%
Expected long-term return on plan assets	6.00%	5.00%
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.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 13 - Pension Plan (Continued)

The fair values of Easterseals' pension plan assets at December 31, 2023 by major asset classes are as follows:

Asset Classes	Fair Value Measurements at December 31, 2023			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
U.S. large cap	\$ 3,509,600	\$ -	\$ -	\$ 3,509,600
U.S. small and mid cap	3,460,700	-	-	3,460,700
International	6,154,600	-	-	6,154,600
Fixed income - Short term	3,083,700	-	-	3,083,700
Fixed income	9,112,100	-	-	9,112,100
Total	\$ 25,320,700	\$ -	\$ -	\$ 25,320,700

Asset Classes	Fair Value Measurements at December 31, 2022			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equity securities:				
U.S. large cap	\$ 3,221,400	\$ -	\$ -	\$ 3,221,400
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

The tables above present information about the pension plan assets measured at fair value at December 31, 2023 and 2022 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.

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.

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 13 - Pension Plan (Continued)

Cash Flow

Contributions

Easterseals expects to contribute approximately \$1,200,000 to its pension plan in 2024.

Estimated Future Benefit Payments

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

<u>Years Ending</u>	<u>Pension Benefits</u>
2024	\$ 2,100,000
2025	2,100,000
2026	2,090,000
2027	2,060,000
2028	2,050,000
Thereafter	10,060,000

Note 14 - 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 for 2023 and 2022.

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.

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

<u>Years Ending December 31</u>	<u>Amount</u>
2024	\$ 1,386,700
2025	1,417,700
2026	1,449,500
2027	1,481,900
2028	1,147,100
Total	6,882,900
Less amount representing interest	<u>289,200</u>
Present value of net minimum lease payments	6,593,700
Less current obligations	<u>1,281,500</u>
Long-term obligations under leases	<u>\$ 5,312,200</u>

Notes to Consolidated Financial Statements

December 31, 2023 and 2022

Note 14 - Leases (Continued)

Expenses recognized under these leases for the years ended December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Lease cost - Operating lease cost:		
Amortization of right-of-use assets	\$ 983,100	\$ 962,000
Operating lease cost	<u>1,110,100</u>	<u>1,110,100</u>
Total lease cost	<u>\$ 2,093,200</u>	<u>\$ 2,072,100</u>
Other information - Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	\$ -	\$ 2,697,000

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 \$2,233,400. Rental income under the sublease was \$479,800 and \$465,100 for 2023 and 2022, respectively.

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

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 475,200
2025	487,100
2026	499,300
2027	511,700
2028	<u>260,100</u>
Total	<u>\$ 2,233,400</u>

Note 15 - 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.