
EASTER SEALS MIDWEST
FINANCIAL STATEMENTS
JUNE 30, 2021



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Independent Auditors' Report

Board of Directors
Easter Seals Midwest
St. Louis, Missouri

Report On The Financial Statements

We have audited the financial statements of Easter Seals Midwest, a not-for-profit organization, which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Midwest as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, for the year ending June 30, 2021. Our opinion is not modified with respect to this matter.

RubinBrown LLP

November 4, 2021

EASTER SEALS MIDWEST
STATEMENT OF FINANCIAL POSITION

Assets

	June 30,	
	2021	2020
Current Assets		
Cash and cash equivalents	\$ 14,318,100	\$ 1,224,080
Accounts receivable (net of allowance for uncollectible accounts of \$513,655 and \$386,281 in 2021 and 2020, respectively)	7,972,156	7,652,561
Pledges receivable (Note 1)	93,945	291,899
Prepaid expenses	169,939	15,718
Total Current Assets	22,554,140	9,184,258
Property, Equipment And Leasehold Improvements (Note 4)	6,194,429	6,441,498
Other Assets		
Long-term pledges receivable (Note 1)	13,268	17,858
Security deposits	96,147	96,147
Investments (Note 3)	32,412,276	7,962,102
Total Other Assets	32,521,691	8,076,107
Total Assets	\$ 61,270,260	\$ 23,701,863

Liabilities And Net Assets

Current Liabilities		
Current maturities of long-term debt (Note 6)	\$ 1,822,448	\$ 490,277
Accounts payable	2,118,305	1,391,728
Accrued salaries and related expenses (Note 13)	3,194,502	3,184,530
Deferred revenue	579,910	—
Accrued expenses and other liabilities	20,129	89,496
Total Current Liabilities	7,735,294	5,156,031
Long-Term Debt (Note 6)	13,135,964	4,956,458
Total Liabilities	20,871,258	10,112,489
Net Assets		
Without Donor Restrictions		
Operations	7,928,035	4,852,797
Investment in property, equipment and leasehold improvements, net of related debt	1,236,017	994,763
Board designated - other (Note 1)	5,324,709	—
Board designated endowment (Note 7)	20,746,243	3,241,809
Total Without Donor Restrictions	35,235,004	9,089,369
With Donor Restrictions (Note 8)	5,163,998	4,500,005
Total Net Assets	40,399,002	13,589,374
Total Liabilities And Net Assets	\$ 61,270,260	\$ 23,701,863

EASTER SEALS MIDWEST
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	\$ 65,203,054	\$ —	\$ 65,203,054
COVID relief revenue	2,461,443	—	2,461,443
Contributions and grants	1,062,687	279,906	1,342,593
Special events	647,111	—	647,111
Net assets released from restrictions (Note 8)	270,681	(270,681)	—
Miscellaneous income	59,024	—	59,024
Total Operating Revenues	69,704,000	9,225	69,713,225
Functional Expenses			
Program services	58,748,238	—	58,748,238
Management and general	7,237,905	—	7,237,905
Special events	72,118	—	72,118
Fund development	660,954	—	660,954
Total Functional Expenses	66,719,215	—	66,719,215
Surplus Of Operating Revenues Over Functional Expenses	2,984,785	9,225	2,994,010
Other Changes			
Endowment contributions	14,800,000	125,000	14,925,000
Investment income	3,170,681	529,768	3,700,449
Other contributions	5,200,000	—	5,200,000
Loss on sale of property and equipment	(9,831)	—	(9,831)
Total Other Changes	23,160,850	654,768	23,815,618
Increase In Net Assets	26,145,635	663,993	26,809,628
Net Assets - Beginning Of Year	9,089,369	4,500,005	13,589,374
Net Assets - End Of Year	\$ 35,235,004	\$ 5,163,998	\$ 40,399,002

EASTER SEALS MIDWEST

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Program service revenue (Note 10)	\$ 70,485,284	\$ —	\$ 70,485,284
Contributions and grants	640,794	347,409	988,203
Special events	794,229	—	794,229
Net assets released from restrictions (Note 8)	349,136	(349,136)	—
Miscellaneous income	56,089	—	56,089
Total Operating Revenues	72,325,532	(1,727)	72,323,805
Functional Expenses			
Program services	61,809,643	—	61,809,643
Management and general	7,607,622	—	7,607,622
Special events	231,288	—	231,288
Fund development	592,794	—	592,794
Total Functional Expenses	70,241,347	—	70,241,347
Surplus (Deficiency) Of Operating Revenues Over Functional Expenses	2,084,185	(1,727)	2,082,458
Other Changes			
Endowment contributions	—	8,134	8,134
Investment income	239,352	79,770	319,122
Total Other Changes	239,352	87,904	327,256
Increase In Net Assets	2,323,537	86,177	2,409,714
Net Assets - Beginning Of Year	6,765,832	4,413,828	11,179,660
Net Assets - End Of Year	\$ 9,089,369	\$ 4,500,005	\$ 13,589,374

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended June 30, 2021

	Program	Management And General	Fund Development	Total Expenses
Salaries	\$ 42,130,783	\$ 4,337,974	\$ 384,695	\$ 46,853,452
Payroll taxes	3,323,013	311,526	28,999	3,663,538
Employee benefits	4,683,375	472,290	30,074	5,185,739
Worker's compensation	732,189	89,735	7,864	829,788
Total Salaries And Related Expenses	50,869,360	5,211,525	451,632	56,532,517
Accreditation fees	—	52	—	52
Advertising and printing	1,482	1,399	11,937	14,818
Audit	—	42,261	—	42,261
Auto expense	897,745	10,669	—	908,414
Bad debt expense	1,767,561	—	65,401	1,832,962
Board and volunteer expense	41	2,681	7,711	10,433
Client assistance	1,130,708	—	—	1,130,708
Conferences and dues	24,532	160,980	3,737	189,249
Emergency plan expense	163,430	18,115	—	181,545
Employee costs	14,279	200,789	—	215,068
Equipment	75,927	72,961	1,618	150,506
Facility costs	200,591	47,420	5,578	253,589
Insurance	257,773	85,679	8,622	352,074
Interest and bank fees	112,117	96,132	25,068	233,317
Legal	—	34,973	—	34,973
Marketing expense	563	60,532	26	61,121
Miscellaneous	120	2,787	—	2,907
Office supplies	49,159	24,372	2,228	75,759
Outside services	214,408	192,185	1,647	408,240
Postage and shipping	23,125	13,004	6,142	42,271
Program supplies	133,368	51,690	13,000	198,058
Record storage	—	23,882	—	23,882
Rent	927,206	29,785	—	956,991
Software	52,708	599,392	22,633	674,733
Special event expense	—	—	72,118	72,118
Staff mileage	704,018	3,352	1,426	708,796
Staff training	7,007	574	—	7,581
Telephone	538,456	50,137	3,891	592,484
Travel and entertainment	14,744	32,971	558	48,273
Utilities	119,608	40,054	8,956	168,618
Total Other Direct Expenses	7,430,676	1,898,828	262,297	9,591,801
Total Functional Expenses Before Depreciation And Amortization	58,300,036	7,110,353	713,929	66,124,318
Depreciation And Amortization	448,202	127,552	19,143	594,897
Total Operational Expenses	\$ 58,748,238	\$ 7,237,905	\$ 733,072	\$ 66,719,215

EASTER SEALS MIDWEST

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2020

	Program	Management And General	Fund Development	Total Expenses
Salaries	\$ 44,748,530	\$ 4,291,371	\$ 347,596	\$ 49,387,497
Payroll taxes	3,058,115	291,983	24,814	3,374,912
Employee benefits	5,203,835	486,387	28,830	5,719,052
Worker's compensation	984,727	109,017	8,823	1,102,567
Total Salaries And Related Expenses	53,995,207	5,178,758	410,063	59,584,028
Accreditation fees	—	11,690	—	11,690
Advertising and printing	5,522	5,422	8,089	19,033
Audit	—	54,114	—	54,114
Auto expense	1,092,634	29,339	—	1,121,973
Bad debt expense	514,260	—	26,427	540,687
Board and volunteer expense	19	7,181	6,927	14,127
Client assistance	1,221,577	—	—	1,221,577
Conferences and dues	26,488	154,063	1,500	182,051
Emergency plan expense	189,255	20,283	—	209,538
Employee costs	12,905	174,556	657	188,118
Equipment	73,477	73,672	1,660	148,809
Facility costs	197,891	66,264	7,668	271,823
Insurance	273,626	59,632	5,077	338,335
Interest and bank fees	130,971	231,280	36,249	398,500
Legal	—	32,098	—	32,098
Marketing expense	205	73,880	—	74,085
Miscellaneous	572	—	1,632	2,204
Office supplies	40,698	35,896	1,428	78,022
Outside services	253,893	178,788	4,963	437,644
Postage and shipping	32,070	9,076	2,524	43,670
Program supplies	190,301	28,123	5,011	223,435
Record storage	—	13,952	—	13,952
Rent	1,095,663	—	—	1,095,663
Software	152,795	849,397	32,147	1,034,339
Special event expense	—	—	231,288	231,288
Staff mileage	1,066,241	8,567	2,357	1,077,165
Staff training	24,685	897	60	25,642
Telephone	545,581	41,822	3,191	590,594
Travel and entertainment	42,019	92,865	5,453	140,337
Utilities	127,622	38,604	9,162	175,388
Total Other Direct Expenses	7,310,970	2,291,461	393,470	9,995,901
Total Functional Expenses Before Depreciation And Amortization	61,306,177	7,470,219	803,533	69,579,929
Depreciation And Amortization	503,466	137,403	20,549	661,418
Total Operational Expenses	\$ 61,809,643	\$ 7,607,622	\$ 824,082	\$ 70,241,347

EASTER SEALS MIDWEST
STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Increase in net assets	\$ 26,809,628	\$ 2,409,714
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization	594,897	661,418
Amortization of debt issuance costs	5,522	5,522
Unrealized (gain) loss on investments	(3,298,942)	324,060
Realized gain on investments	(250,619)	(529,675)
Loss on disposal of property and equipment	9,831	—
Loss on uncollectible promises to give	65,401	26,427
Contributions restricted for permanent endowment	(125,000)	(8,134)
Changes in assets and liabilities:		
Accounts receivable	(319,595)	2,381,887
Pledges receivable, nonendowment	132,293	5,349
Prepaid expenses	(154,221)	212,177
Security deposits	—	(14,000)
Accounts payable	726,577	205,796
Accrued payroll	9,972	(1,807,491)
Accrued expenses	(69,367)	75,095
Increase in deferred revenue	579,910	—
Net Cash Provided By Operating Activities	24,716,287	3,948,145
Cash Flows From Investing Activities		
Proceeds from sale of investments	59,770,015	2,636,409
Purchases of investments	(80,670,628)	(2,747,047)
Purchases of property, equipment and leasehold improvements	(357,659)	(360,093)
Net Cash Used In Investing Activities	(21,258,272)	(470,731)
Cash Flows From Financing Activities		
Net payments on line of credit	—	(2,188,375)
Borrowing on long-term debt	10,000,000	—
Payments on long-term debt	(493,845)	(566,087)
Collection of contributions restricted for permanent endowment	129,850	17,274
Net Cash Provided By (Used In) Financing Activities	9,636,005	(2,737,188)
Net Increase In Cash And Cash Equivalents	13,094,020	740,226
Cash And Cash Equivalents - Beginning Of Year	1,224,080	483,854
Cash And Cash Equivalents - End Of Year	\$ 14,318,100	\$ 1,224,080
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 168,106	\$ 333,047

EASTER SEALS MIDWEST

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. Summary Of Significant Accounting Policies

Financial Statement Presentation

Easter Seals Midwest (the Organization) has adopted the provisions of the Financial Accounting Standards Board (FASB) in regard to financial statements of not-for-profit organizations as discussed under ASC 958-210, *Financial Statements of Not-For-Profit Organizations*. This provision requires the reporting of total assets, liabilities and net assets in a statement of financial position and reporting the change in net assets in a statement of activities. This provision also requires that net assets, revenue, expenses, gains and losses be classified according to two classes of net assets according to donor-imposed restrictions and applicable law: net assets without donor restrictions and net assets with donor restrictions. Explanations of the net asset categories are presented below:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets and contributions not subject to donor-imposed restrictions or stipulations. This includes board designated net assets of \$5,324,709 at June 30, 2021 that may be used to accelerate the payment of the mortgage on the Westline property in St. Louis. The Board of Directors will oversee the investment of and use of this special fund and will vote annually on any modifications to usage of either the investment earnings or corpus.

Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. In accordance with Missouri state law, absent any specific donor stipulations, earnings on net assets invested in perpetuity are donor restricted until appropriated for use by the Board of Directors. Some donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

New Accounting Pronouncement

Effective July 1, 2020, Easter Seals Midwest adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue and develops a common revenue standard. ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts.

Basis Of Accounting

The Organization prepares its financial statements on the accrual basis of accounting.

Estimates And Assumptions

The Organization uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Operating And Non-Operating Activity

Operating results in the statement of activities reflect all transactions except those items associated with contributions received outside of the Organization's ongoing fund development activities, endowment contributions, investment income, gains and losses on the disposal of fixed assets and other miscellaneous items.

Cash And Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents are on deposit with primarily one financial institution in the St. Louis metropolitan area. At June 30, 2021, cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance limit amounted to approximately \$14,189,000.

Investments

Investments are reported at fair value. Gains or losses on sales of investments are determined on a specified cost identification method. Unrealized gains and losses are determined based on year-end fair value fluctuations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Investments are managed in accordance with a board-approved investment policy by a registered investment firm.

EASTER SEALS MIDWEST

Notes To Financial Statements (*Continued*)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. The Organization provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience and a review of the current status of the existing receivables.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as support in the period the promises are made. Conditional promises to give, that is, those with a measureable performance or other barrier, are not recognized until the conditions on which they depend have been met. The Organization uses the direct write-off method, which, for the Organization, is not considered to be materially different from the allowance method. The Organization records unconditional promises to give at the full promise amount, which is not deemed to be materially different from the net present value for promises to be received in over one year. Unconditional promises to give that are expected to be received in less than one year are classified as current on the statement of financial position. Unconditional promises to give that are expected to be received in over one year are classified as long-term on the statement of financial position. There were no conditional promises to give as of June 30, 2021 or 2020.

Property And Equipment And Leasehold Improvements

All property, equipment and leasehold improvements with the value of \$1,000 or more are capitalized. Property, equipment and leasehold improvements are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method over periods ranging from 3 to 40 years.

Debt Issuance Costs

Debt issuance costs totaling \$55,216 consist of fees for obtaining the building loans and are being amortized using the straight-line method over the lives of the loans. Accumulated amortization totaled \$12,885 and \$7,363 at June 30, 2021 and 2020, respectively. Amortization expense amounted to \$5,522 during the years ended June 30, 2021 and 2020, and is included in interest and bank fees in the statement of functional expenses.

Support Without And With Donor Restrictions

Contributions received and unconditional promises to give (pledges receivable) are measured at fair value and are recognized as increases in net assets when received or promised. The Organization reports contributions with donor restrictions if they are received with donor stipulations that limit the use of the donation, or if they are designated as support for future periods.

EASTER SEALS MIDWEST

Notes To Financial Statements (*Continued*)

When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts received with restrictions that are satisfied within the same year are recorded as increases in net assets without donor restrictions. Pledges receivable of \$93,945 and \$291,899 are unconditional promises to give as of June 30, 2021 and 2020, respectively, and are expected to be received within the next fiscal year. The current pledges receivable include endowment promises to give of \$7,740 and \$8,000 as of June 30, 2021 and 2020, respectively. Pledges receivable expected to be received in over one year as of June 30, 2021 and 2020 totaled \$13,268 and \$17,858, respectively. The long term pledges receivable include endowment promises to give of \$13,268 and \$17,858 as of June 30, 2021 and 2020, respectively.

The Organization reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services

Donated services that meet the criteria for recognition as stated by generally accepted accounting principles (GAAP) are recorded at fair value at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's programs, special events and fundraising events; however, such donated services have not been recognized as contributions in the financial statements since the aforementioned recognition criteria were not met.

Donated Materials

Various materials are donated to the Organization. Donated materials that meet the criteria for recognition under the provisions of accounting for contributions received and contributions made in regard to financial statements of not-for-profit organizations have been recorded at fair value at the date of donation.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Community Living Services

Community Living Services provide homes with on-site support where adults with developmental disabilities, including autism, can live independent and productive lives in the community. The program also provides training and support to people with disabilities to help them acquire valuable skills. Individuals are assisted in living in independent, yet supportive environments, learning various home management skills and developing a social support network.

Employment Services

Employment Services develops employment opportunities for individuals in the community, locates paying positions and provides on-the-job support. Jobs are carefully matched to meet each individual's work preferences, skills and support needs.

Autism Services

The Autism Services division works with individuals with autism, as well as with their families to help them develop communication, social skills and behavior modification. Autism Services customizes its services to meet each individual's and family's need for support.

Home Visiting Program

The Home Visiting Program works with families who have children with and without disabilities 3 years of age and under, to help link them to additional resources in the community, to help build their knowledge and skill base in regards to parenting, and to model appropriate parenting skills. Trained parent educators visit the homes of eligible families and offer a variety of services, which include but are not limited to: group training sessions targeted at various topics dealing with child development, creating healthy families, and networking opportunities for the families; and resources for children in the home, including books, developmentally appropriate toys for their child, and incentives which may include certificates that they may use to purchase items for their children such as toys, books, safety items, safe cribs, etc.

Management And General

Management and general includes the functions necessary to maintain an equitable human resources system; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration and manage the financial and budgetary responsibilities of the Organization.

Fund Development

Fund development provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations. It is an important and necessary component of the Organization's ability to offer quality service.

Revenue Recognition

The Organization adopted ASU 2014-19, *Revenue from Contracts with Customers (Topic 606)*, as amended, as of July 1, 2020. ASU 2014-09 applies to reciprocal transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The adoption of this standard did not have an impact on the amount of revenue recognized by the Organization.

There was no cumulative impact on net assets or cash provided by operations as a result of the adoption of this standard. In addition, the impact on reported total revenues as compared to amounts that would have been under the prior standard was immaterial. The Organization expects the impact of adoption in future periods to be immaterial. The accounting policies and related disclosures required under the new standard are described below.

In general, the Organization applies the following five-step model when evaluating the amount and timing of revenue recognition in its customer contracts:

- Step 1 - Identify the contract(s) with a customer.
- Step 2 - Identify the performance obligations in the contract.
- Step 3 - Determine the transaction price.
- Step 4 - Allocate the transaction price to the performance obligations.
- Step 5 - Recognize revenue when (or as) performance obligations are satisfied.

EASTER SEALS MIDWEST

Notes To Financial Statements (*Continued*)

The Organization's revenue subject to this revenue recognition standard is derived primarily from the above-mentioned program services. The Organization has contractual arrangements with various funders to provide program services at negotiated rates for specific services. As such, the performance obligation is the service provided and revenue is recognized in the month the contracted services are rendered. The Organization does not have multiple performance obligations that would require allocation of the transaction price.

Payment terms for the Organization's services vary by funder, though cash is largely collected after services are performed, and the Organization does not have significant financing components.

In fiscal year 2020, the Organization's revenue recognition policies were substantially the same as the fiscal year 2021 policies noted above.

The opening and closing balances of receivables from contracts with customers for the year ended June 30, 2021 were \$7,652,561 and \$7,972,156, respectively. The opening and closing balances of receivables from contracts with customers for the year ended June 30, 2020 were \$10,034,448 and \$7,652,561, respectively.

Forgivable Note Payable

During 2021, the Organization received a \$10,000,000 loan that was part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization used the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs, mortgage interest, rent and utility costs, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considers the PPP loan to be debt, subject to the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 470, *Debt*. The Organization did not impute additional interest at a market rate as transactions where interest rates are prescribed by governmental agencies are not subject to the accounting guidance on imputing interest.

Under ASC 470, the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor had been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the liability will be reduced by the amount forgiven and a gain on extinguishment would be recorded.

EASTER SEALS MIDWEST

Notes To Financial Statements (*Continued*)

Expense Allocation

The costs of programs and various supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Payroll and payroll related expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Facility related expenses (such as building operation and maintenance, rent, telephone, and utilities) have been allocated to functional categories based on the use of space in the specific buildings that the programs or supporting activities are housed. Other general expenses (such as depreciation and insurance) are allocated based on a percentage of total payroll of programs and supporting services to the total Organization's expenses. All other direct expenses are based on specific identification and the nature of the expenditures.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, and is, therefore, exempt from federal income taxes on related, exempt income. Therefore, there are no provisions for income taxes reflected in these financial statements.

The Organization's federal and state returns for the years ending June 30, 2020, 2019 and 2018 are subject to examination by taxing authority.

Inter-Organizational Accounts

The Organization accounts for certain program activities as independent functions in its accounting system. Accordingly, inter-organizational expenses, revenue, assets and liabilities have been eliminated within these program activities.

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Nature Of The Organization

The Organization is a Missouri not-for-profit organization whose mission is to assist individuals with developmental disabilities, including autism, how to learn, live, work and participate in the community. The Organization is unconditionally committed to assisting these individuals to live and work with self-fulfillment and dignity.

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

3. Investments

Investments consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,175,369	\$ 76,428
Exchange-traded and closed-end funds	23,903,290	5,550,528
Mutual funds		
Bonds	6,092,872	1,914,548
Bank loans	—	145,744
Value	<u>1,240,745</u>	<u>274,854</u>
	<u>\$ 32,412,276</u>	<u>\$ 7,962,102</u>

Investments are carried at fair value using quoted prices in active markets (Level 1).

4. Property, Equipment And Leasehold Improvements

Property, equipment, and leasehold improvements consist of:

	<u>2021</u>	<u>2020</u>
Land	\$ 878,000	\$ 878,000
Buildings	4,896,157	4,815,682
Leasehold improvements	716,211	817,928
Equipment and software	3,062,716	3,264,427
Vehicles	247,913	388,585
	<u>9,800,997</u>	<u>10,164,622</u>
Less: Accumulated depreciation	<u>3,606,568</u>	<u>3,723,124</u>
	<u>\$ 6,194,429</u>	<u>\$ 6,441,498</u>

Interest amounting to \$77,426 has been capitalized at June 30, 2021 and 2020 and is being depreciated over the life of the building.

5. Lines Of Credit

The Organization has a \$5,000,000 revolving line of credit, collateralized by a Commercial Pledge Agreement, multiple Deeds of Trust and multiple Assignments of Rents. Bank advances on the credit line are subject to a minimum monthly payment of interest only and carry an interest rate equal to the Index Rate minus 1.25 percentage points with a rate of 2.00% as of June 30, 2021 and 2020. The line of credit is collateralized by the Organization's investment account. The line of credit should not exceed 80% of the current market value of the pledged collateral. Should the loan exceed that threshold, the line of credit would be subject to a call provision. At June 30, 2021 and 2020, there was no outstanding balance on this line of credit. The line of credit expires on May 5, 2022. The financial statements are due to the bank within 120 days of year end, and the Organization must satisfy a financial covenant.

The Organization has a \$2,000,000 line of credit, which bears interest at the Index Rate minus 0.5 percentage point with a rate of 2.75% as of June 30, 2021 and 2020. The line of credit is secured by accounts receivable. In 2016, the Organization entered into a promissory note with the bank for \$750,000 (Note 6), requiring monthly payments of \$13,487 at 2.99% interest, which reduced the amount of the available line of credit. At June 30, 2021 and 2020, the available unused line of credit was \$2,000,000 and \$1,906,641, respectively. The line of credit expires on May 5, 2022.

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

6. Long-Term Debt

Long-term debt consists of the following:

	<u>2021</u>	<u>2020</u>
Note payable - bank, payable in monthly installments of \$13,487, including principal and interest at the rate of 2.99%, through maturity in February 2021	\$ —	\$ 93,359
Series 2018A building loan - funds advanced to acquire, construct, furnish and equip new office facilities, including the acquisition of land. The maximum principal amount is \$4,048,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2029, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of 20 years are required. The balance of principal and accrued interest is payable on February 9, 2029. The interest rate on the loan is 3.72% through February 8, 2026, and 2.25% above the swap rate thereafter. The loan is secured by a First Deed of Trust on the land and facilities acquired.	3,704,236	3,850,083
Paycheck Protection Program loan as part of the SBA's Coronavirus relief. The loan totals \$10,000,000. The note bears interest at 1.0%, with six months of principal and interest deferred and then combined principal and interest payments of \$190,407 through April 2026. The note is unsecured and may be forgiven if the Organization utilizes the funds as stipulated by the SBA for specific payroll and other qualifying expenses.	10,000,000	—
Series 2018B building loan to acquire, construct, furnish and equip new office facilities, including the acquisition of land, was issued to the Organization in May 2018. The maximum principal amount of the 2018B building loan is \$1,952,000. Beginning June 9, 2018 and continuing monthly through February 9, 2019, payments of interest only were required. Beginning March 9, 2019, and continuing monthly through February 9, 2026, payments of principal and interest in an amount sufficient to fully amortize the loan over a period of seven years are required. The balance of principal and accrued interest is payable on February 9, 2026. The interest rate on the loan is 3.68%. The loan is secured by a Second Deed of Trust on the land and facilities acquired.	1,296,507	1,551,146
	15,000,743	5,494,588
Less: Current maturities	1,822,448	490,277
Less: Debt issuance costs	42,331	47,853
	\$ 13,135,964	\$ 4,956,458

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

The scheduled maturities of the long-term debt at June 30, 2021 are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 1,822,448
2023	2,636,840
2024	2,674,932
2025	2,714,654
2026	2,249,187
Thereafter	2,902,682
	<u>\$ 15,000,743</u>

7. Endowment Funds

The Organization's endowment consists of five individual funds as well as one fund created by the Organization's endowment campaign. The funds were established for a variety of purposes. The endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The donor restricted fund that is perpetual in nature created by the endowment campaign can be utilized to pay for expenses related to the operation of the campaign. There were no such releases made during the years ended June 30, 2021 or 2020.

Interpretation Of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted endowment funds invested in perpetuity (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment earnings that are not classified as donor-restricted endowment funds invested in perpetuity are classified as donor-restricted endowment funds - unappropriated investment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

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

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

At June 30, 2021, the Organization had the following endowment funds:

	2021			
	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ —	\$ 609,538	\$ 4,026,983	\$ 4,636,521
Board-designated quasi-endowment funds	20,746,243	—	—	20,746,243
	<u>\$ 20,746,243</u>	<u>\$ 609,538</u>	<u>\$ 4,026,983</u>	<u>\$ 25,382,764</u>

As of June 30, 2020, the Organization had the following endowment funds:

	2020			
	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Donor-restricted endowment funds	\$ —	\$ 79,770	\$ 3,897,133	\$ 3,976,903
Board-designated quasi-endowment funds	3,241,809	—	—	3,241,809
	<u>\$ 3,241,809</u>	<u>\$ 79,770</u>	<u>\$ 3,897,133</u>	<u>\$ 7,218,712</u>

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

The changes in the endowment funds for the fiscal years ended June 30, 2021 and 2020 are as follows:

	Without Donor Restrictions	Unappropriated Investment Earnings	Investments In Perpetuity	Total
Endowment Assets - June 30, 2019	\$ 3,042,717	\$ —	\$ 3,879,859	\$ 6,922,576
Investment Return				
Interest and dividends	70,814	28,373	—	99,187
Net realized and unrealized gains	128,278	51,397	—	179,675
Total Investment Return	199,092	79,770	—	278,862
Contributions	—	—	17,274	17,274
Endowment Assets - June 30, 2020	3,241,809	79,770	3,897,133	7,218,712
Investment Return				
Interest and dividends	103,480	18,036	—	121,516
Net realized and unrealized gains	2,600,954	511,732	—	3,112,686
Total Investment Return	2,704,434	529,768	—	3,234,202
Contributions	14,800,000	—	129,850	14,929,850
Endowment Assets - June 30, 2021	\$ 20,746,243	\$ 609,538	\$ 4,026,983	\$ 25,382,764

Return Objectives And Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for growth in principal and income sufficient to support the endowment's liquidity needs, while simultaneously preserving and, if possible, enhancing the purchasing power of the endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested to achieve the long-term rate of return using broad diversification of assets across asset classes, styles, regions and strategies in accordance with the investment policy. The primary benchmark for the endowment's average rate of return is 7% per year. Actual returns in any given year may vary from this amount.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

During 2011, the Organization adopted a policy of appropriating for distribution each year a rate of no more than 5% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions. The Organization's Board did not approve a distribution from the endowment for the years ended June 30, 2021 or 2020. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow on an annual basis. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include amounts designated by the Board of Directors for specific purposes and reserves as required by the U.S. Department of Housing and Urban Development.

In addition, the Organization's Board of Directors has designated net assets of \$20,746,243 and \$3,241,809 at June 30, 2021 and 2020, respectively, as endowment, which is to be maintained similarly to donor restricted net assets that are perpetual in nature. Interest and dividends on these designated assets are available for the Organization's use in accordance with its spending policy.

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
With Donor Restrictions For Time And Purpose		
Subject to expenditure for specified purpose:		
Learning center (Hess)	\$ 163,982	\$ 163,982
Community living	4,000	—
Employment	110,000	—
Loan fund - Edith Wolff	37,266	37,266
Timing restrictions, including nonendowment pledges receivable	188,692	293,467
Charitable reminder trust	2,529	2,529
Donor-restricted endowment funds - unappropriated investment earnings (Note 7)	609,538	79,770
	<u>1,116,007</u>	<u>577,014</u>
Endowment		
Donor-restricted endowment pledges receivable (Note 1)	21,008	25,858
Donor-restricted endowment funds - investments in perpetuity (Note 7)	4,026,983	3,897,133
	<u>4,047,991</u>	<u>3,922,991</u>
	<u>\$ 5,163,998</u>	<u>\$ 4,500,005</u>

Net assets were released from net assets with donor restrictions as follows:

	<u>2021</u>	<u>2020</u>
Program restrictions	\$ —	\$ 88,468
Timing restrictions	270,681	260,668
	<u>\$ 270,681</u>	<u>\$ 349,136</u>

9. Lease Commitments

The Organization leases office space under noncancellable operating leases. The Organization also leases various office equipment and vehicles. All of these are noncancellable operating leases that have various expiration dates through April 2027. Rent expense is recognized on a straight-line basis over the life of each lease. Total rent expense for the years ended June 30, 2021 and 2020 was \$956,991 and \$1,095,663, respectively.

EASTER SEALS MIDWEST

Notes To Financial Statements (Continued)

Future minimum lease payments are as follows at June 30, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 750,865
2023	255,005
2024	177,996
2025	180,428
2026	182,856
Thereafter	154,075
	<u>\$ 1,701,225</u>

10. Concentrations

Approximately 83% and 85% of the Organization's total operating revenues were received from the Missouri Department of Mental Health for the years ended June 30, 2021 and 2020, respectively.

The majority of the Organization's program revenue is through contractual arrangements with state and local agencies as follows at June 30:

	<u>2021</u>	<u>2020</u>
Missouri Department of Mental Health	\$ 57,650,263	\$ 61,569,483
Productive Living Board for St. Louis County Citizens with Developmental Disabilities	2,326,911	3,527,093
Developmental Disabilities Resource Board of St. Charles County	489,036	672,058
Missouri Vocational Rehabilitation	787,476	807,267

11. Grant Contingencies

The Organization has received grants from the St. Louis Office of Developmental Disability Resources (DDR), which were used to purchase equipment and renovate buildings. According to the terms of the grants, if the Organization disposes of, sells, trades or in any other way alters the ownership of the property, the Organization must reimburse the grantor according to a schedule of declining percentages. The Organization did not dispose of applicable assets in 2021 or 2020 and was not required to pay anything to DDR in 2021 or 2020.

12. Employee Deferral Compensation Plan

The Organization has a 403(b) plan that covers eligible employees with one-year tenure and 1,000 hours or more worked. The plan allows the participants to make contributions to the plan through salary deferrals. The plan also requires the Organization to match 50% of each employee's contributions up to 6% of the employee's annual base compensation, thereby resulting in a maximum matching contribution of 3%. The Organization's contributions to the plan totaled \$266,722 and \$246,298 for the years ended June 30, 2021 and 2020, respectively.

13. Health Insurance

The Organization has a self-funded health insurance plan and maintains stop-loss insurance. The stop-loss insurance mitigates excessive claim risk and reimburses the Organization for claims that exceed a predetermined amount. The Organization utilizes an escrow account to pay approved medical claims that must maintain a balance of \$14,500 for the year ended June 30, 2020. At June 30, 2021, the insurance company no longer requires an escrow balance. Daily balance notices are received via email and transfers to the escrow account are made weekly to reimburse the escrow account for claims paid during the week to get the account back to its required balance.

Additionally, the Affordable Care Act requires health insurance to be affordable and provide minimum value to their full-time employees and their dependents, or otherwise make an employer shared responsibility payment to the Internal Revenue Service.

Estimated insurance costs payable, including estimated employer shared responsibility payments, as of June 30, 2021 and 2020, were \$1,167,661 and \$1,149,013, respectively, and are included in accrued salaries and related expenses in the statement of financial position.

EASTER SEALS MIDWEST

Notes To Financial Statements (*Continued*)

14. Liquidity And Availability Of Resources

Financial assets available for general expenditure over the next 12 months, that is, without donor or other restrictions limiting their use, comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 14,318,100	\$ 1,224,080
Accounts receivable	7,972,156	7,652,561
Pledges receivable	86,205	283,899
Investments	28,385,293	4,064,969
	<u>\$ 50,761,754</u>	<u>\$ 13,225,509</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize investment returns. The Organization has various sources of liquidity available, including cash and cash equivalents, lines of credit, and board designated spending plan from investment returns.

The board designated endowment is subject to an annual spending policy of no more than 5% of the Endowment Fund's average assets of the immediately preceding eight quarters as of July 1st while complying with any donor-imposed restrictions, as stated in Note 7.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities of providing social service programs to individuals with intellectual and developmental disabilities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

15. Risks And Uncertainties

The ongoing COVID-19 pandemic has prompted many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant impact upon many sectors of the economy, including the services provided by Easter Seals Midwest.

Independent Auditors' Report On Supplementary Information

Board of Directors
Easter Seals Midwest
St. Louis, Missouri

We have audited the financial statements of Easter Seals Midwest as of and for the years ended June 30, 2021 and 2020, and our report thereon dated November 4, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses – Developmental Disabilities Resource Board of St. Charles County, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Easter Seals Midwest's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying and other accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenses - Developmental Disabilities Resource Board of St. Charles County is fairly stated in all material respects in relation to the financial statements as a whole.

RubinBrown LLP

November 4, 2021

EASTER SEALS MIDWEST

SCHEDULE OF EXPENSES - DEVELOPMENTAL DISABILITIES RESOURCE BOARD OF ST. CHARLES COUNTY For The Year Ended June 30, 2021

	ISLA	Employment Retention	Employment Access	Direct Support Professional Initiative	Summer Teen Employment
Revenue	\$ 168,097	\$ 99,847	\$ 87,995	\$ 37,800	\$ 144,487
Expenses					
Compensation:					
Salaries	102,437	52,851	49,279	47,694	47,656
Employee benefits	32,951	19,350	14,252	10,379	8,958
Total Compensation	135,388	72,201	63,531	58,073	56,614
Non-personnel expenses:					
Program supplies	39	—	—	—	—
Office supplies	201	132	132	—	66
Software	41	24	24	—	72
Facility	9,654	8,034	8,105	—	6,334
Communication	2,750	2,491	2,739	—	1,776
Professional services	98	34	34	—	56,290
Travel	5,946	4,945	1,766	—	—
Client travel	—	—	—	—	12,180
Equipment	739	824	809	—	809
Client assistance	—	326	—	—	81
Bad debt	5,417	369	—	—	—
Total Direct Costs	160,273	89,380	77,140	58,073	134,222
Management and general allocation	19,789	10,995	9,531	6,892	18,025
Total Expenses	180,062	100,375	86,671	64,965	152,247
Excess (Deficiency) Of Program					
Revenue Over Expenses	\$ (11,965)	\$ (528)	\$ 1,324	\$ (27,165)	\$ (7,760)