

Financial Statements

**The Arc of Northeast Indiana, Inc.
d/b/a Easter Seals Arc of Northeast
Indiana, Inc.**

December 31, 2020 and 2019

***THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.***

Financial Statements
December 31, 2020 and 2019

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Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors

The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.

Fort Wayne, Indiana

We have audited the accompanying financial statements of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. as of December 31, 2020 and 2019, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards shown on page 38, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information for Allen County Group Homes on pages 40 - 45 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. Such information is the responsibility of 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2021, on our consideration of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. 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 The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over financial reporting and compliance.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
May 12, 2021

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

**Statement of Financial Position
December 31, 2020**



	General Fund	HUD Residential Home Fund	Total
<u>ASSETS</u>			
Cash	\$ 4,298,254	\$ 2,714	\$ 4,300,968
Client checking - restricted	537,900	-	537,900
Accounts receivable, net of allowance of \$5,285	1,031,979	-	1,031,979
Pledges receivable, net of unamortized discount of \$966	456,610	-	456,610
HUD cash reserve for replacements and residual receipts - restricted	-	35,400	35,400
HUD tenant security deposits	-	4,818	4,818
Other deposits	12,173	-	12,173
Inventory, net of reserve of \$4,723	7,625	-	7,625
Prepaid expenses and other assets	216,401	-	216,401
Investments	2,698,950	-	2,698,950
Net property and equipment	6,039,137	217,404	6,256,541
Beneficial interest in assets held by a community foundation	74,625	-	74,625
Beneficial interest in perpetual trust	<u>114,381</u>	<u>-</u>	<u>114,381</u>
TOTAL ASSETS	<u>\$ 15,488,035</u>	<u>\$ 260,336</u>	<u>\$ 15,748,371</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Funds held on behalf of others	\$ 537,900	\$ -	\$ 537,900
Accounts payable	185,329	4,796	190,125
Accrued salaries and benefits	2,022,107	-	2,022,107
Group home Medicaid liability	84,701	-	84,701
Capital lease liability	205,823	-	205,823
Deferred revenue	11,605	-	11,605
Long-term debt	542,818	99,436	642,254
HUD tenant security deposits	-	<u>4,818</u>	<u>4,818</u>
Total Liabilities	<u>3,590,283</u>	<u>109,050</u>	<u>3,699,333</u>
NET ASSETS			
Net assets without donor restrictions	10,499,173	151,286	10,650,459
Net assets with donor restrictions	<u>1,398,579</u>	<u>-</u>	<u>1,398,579</u>
Total Net Assets	<u>11,897,752</u>	<u>151,286</u>	<u>12,049,038</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,488,035</u>	<u>\$ 260,336</u>	<u>\$ 15,748,371</u>

See Notes to Financial Statements.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

**Statement of Financial Position
December 31, 2019**



	General Fund	HUD Residential Home Fund	Total
<u>ASSETS</u>			
Cash	\$ 3,198,795	\$ 1,131	\$ 3,199,926
Client checking - restricted	78,649	-	78,649
Accounts receivable, net of allowance of \$5,171	1,009,970	3,411	1,013,381
Pledges receivable, net of unamortized discount of \$13,205	600,803	-	600,803
HUD cash reserve for replacements and residual receipts - restricted	-	29,091	29,091
HUD tenant security deposits	-	4,471	4,471
Other deposits	10,773	-	10,773
Inventory, net of reserve of \$13,223	18,622	-	18,622
Prepaid expenses and other assets	132,451	-	132,451
Investments	2,433,447	-	2,433,447
Net property and equipment	4,898,701	220,702	5,119,403
Beneficial interest in assets held by a community foundation	67,587	-	67,587
Beneficial interest in perpetual trust	98,907	-	98,907
TOTAL ASSETS	\$ 12,548,705	\$ 258,806	\$ 12,807,511
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Funds held on behalf of others	\$ 78,649	\$ -	\$ 78,649
Accounts payable	203,107	19,164	222,271
Accrued salaries and benefits	1,433,679	-	1,433,679
Group home Medicaid liability	84,724	-	84,724
Capital lease liability	156,984	-	156,984
Long-term debt	8,149	144,759	152,908
HUD tenant security deposits	-	4,471	4,471
Total Liabilities	1,965,292	168,394	2,133,686
NET ASSETS			
Net assets without donor restrictions	9,283,339	90,412	9,373,751
Net assets with donor restrictions	1,300,074	-	1,300,074
Total Net Assets	10,583,413	90,412	10,673,825
TOTAL LIABILITIES AND NET ASSETS	\$ 12,548,705	\$ 258,806	\$ 12,807,511

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Activities
Year Ended December 31, 2020



	Net Assets Without Donor Restrictions		Total Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	General Fund	HUD Residential Home Fund			
SUPPORT AND REVENUE					
Group home	\$ 4,704,498	\$ -	\$ 4,704,498	\$ -	\$ 4,704,498
Medicaid waiver	11,750,050	-	11,750,050	-	11,750,050
Other governmental units	1,837,563	-	1,837,563	-	1,837,563
Program service fees	130,890	-	130,890	-	130,890
Production income	962,726	-	962,726	-	962,726
Grants	2,128,631	-	2,128,631	266,532	2,395,163
Contributions	167,668	-	167,668	210,000	377,668
Other	47,157	-	47,157	-	47,157
HUD subsidy	-	142,976	142,976	-	142,976
Title XIX Medicaid	-	85,076	85,076	-	85,076
Special events	291,947	-	291,947	-	291,947
HUD vacancies	-	(91)	(91)	-	(91)
Investment income	34,639	9	34,648	10,199	44,847
Realized and unrealized gains on investments	228,200	-	228,200	37,944	266,144
Loss on disposal of property and equipment	(5,562)	-	(5,562)	-	(5,562)
Bad debt expense	(9,000)	-	(9,000)	-	(9,000)
Excess of assets acquired over liabilities assumed for RISE, Inc.	762,168	-	762,168	-	762,168
Net assets released from restrictions	<u>426,170</u>	<u>-</u>	<u>426,170</u>	<u>(426,170)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	23,457,745	227,970	23,685,715	98,505	23,784,220

(Continued)

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Activities (Continued)
Year Ended December 31, 2020



	Net Assets Without Donor Restrictions		Total Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	General Fund	HUD Residential Home Fund			
EXPENSES					
Program Expense:					
Community support	\$ 2,445,128	\$ -	\$ 2,445,128	\$ -	\$ 2,445,128
Rehab and work services	2,553,747	-	2,553,747	-	2,553,747
Residential services	3,956,052	-	3,956,052	-	3,956,052
Supported living and client health and wellness	10,912,476	-	10,912,476	-	10,912,476
HUD residential home fund	-	167,096	167,096	-	167,096
Total Program Expense	19,867,403	167,096	20,034,499	-	20,034,499
Management and general expense	2,163,345	-	2,163,345	-	2,163,345
Fundraising expense	211,163	-	211,163	-	211,163
Total Expenses	22,241,911	167,096	22,409,007	-	22,409,007
CHANGE IN NET ASSETS	1,215,834	60,874	1,276,708	98,505	1,375,213
NET ASSETS, BEGINNING OF YEAR	9,283,339	90,412	9,373,751	1,300,074	10,673,825
NET ASSETS, END OF YEAR	\$ 10,499,173	\$ 151,286	\$ 10,650,459	\$ 1,398,579	\$ 12,049,038

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Activities
Year Ended December 31, 2019



	Net Assets Without Donor Restrictions		Total Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	General Fund	HUD Residential Home Fund			
SUPPORT AND REVENUE					
Group home	\$ 4,518,328	\$ -	\$ 4,518,328	\$ -	\$ 4,518,328
Medicaid waiver	12,499,291	-	12,499,291	-	12,499,291
Other governmental units	2,396,913	-	2,396,913	-	2,396,913
Program service fees	224,695	-	224,695	-	224,695
Production income	893,321	-	893,321	-	893,321
Grants	428,970	-	428,970	412,046	841,016
Contributions	147,540	-	147,540	6,480	154,020
Other	25,671	-	25,671	-	25,671
HUD subsidy	-	138,676	138,676	-	138,676
Title XIX Medicaid	-	77,128	77,128	-	77,128
Special events	382,595	-	382,595	-	382,595
HUD vacancies	-	(9,949)	(9,949)	-	(9,949)
Investment income	34,419	11	34,430	11,326	45,756
Realized and unrealized gains on investments	298,369	-	298,369	61,905	360,274
Loss on disposal of property and equipment	(37,650)	-	(37,650)	-	(37,650)
Bad debt expense	(31,000)	-	(31,000)	-	(31,000)
Net assets released from restrictions	<u>456,409</u>	<u>-</u>	<u>456,409</u>	<u>(456,409)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	22,237,871	205,866	22,443,737	35,348	22,479,085

(Continued)

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Activities (Continued)
Year Ended December 31, 2019



	Net Assets Without Donor Restrictions		Total Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
	General Fund	HUD Residential Home Fund			
EXPENSES					
Program Expense:					
Community support	\$ 2,429,183	\$ -	\$ 2,429,183	\$ -	\$ 2,429,183
Rehab and work services	2,654,335	-	2,654,335	-	2,654,335
Residential services	3,645,267	-	3,645,267	-	3,645,267
Supported living and client health and wellness	10,713,210	-	10,713,210	-	10,713,210
HUD residential home fund	<u>-</u>	<u>175,966</u>	<u>175,966</u>	<u>-</u>	<u>175,966</u>
Total Program Expense	19,441,995	175,966	19,617,961	-	19,617,961
Management and general expense	1,363,798	-	1,363,798	-	1,363,798
Fundraising expense	<u>247,831</u>	<u>-</u>	<u>247,831</u>	<u>-</u>	<u>247,831</u>
Total Expenses	<u>21,053,624</u>	<u>175,966</u>	<u>21,229,590</u>	<u>-</u>	<u>21,229,590</u>
CHANGE IN NET ASSETS	1,184,247	29,900	1,214,147	35,348	1,249,495
NET ASSETS, BEGINNING OF YEAR	<u>8,099,092</u>	<u>60,512</u>	<u>8,159,604</u>	<u>1,264,726</u>	<u>9,424,330</u>
NET ASSETS, END OF YEAR	<u>\$ 9,283,339</u>	<u>\$ 90,412</u>	<u>\$ 9,373,751</u>	<u>\$ 1,300,074</u>	<u>\$ 10,673,825</u>

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statements of Cash Flows
Years Ended December 31, 2020 and 2019



	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,375,213	\$ 1,249,495
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided By Operating Activities:		
Depreciation	609,220	511,645
Net realized and unrealized gains on investments	(266,144)	(360,274)
Reinvested interest	(7,761)	(21,378)
Bad debt expense	9,000	31,000
Increase (Decrease) in inventory reserve	(8,500)	6,000
Amortization of prepaid loan issuance costs	692	-
Discount on (amortization of discount on) pledges		
receivable for long-term purposes	(12,239)	1,905
Contributions of investments	(14,109)	(10,928)
Contributions of property and equipment	-	(9,260)
Loss on disposal of property and equipment	5,562	37,650
Excess of assets acquired over liabilities assumed		
for RISE, Inc.	(762,168)	-
(Increase) Decrease in Assets:		
Accounts receivable	79,482	(48,162)
Pledges receivable	96,432	(210,000)
HUD tenant security deposits	(347)	(594)
Other deposits	(1,400)	-
Inventory	19,497	519
Prepaid expenses and other assets	(66,307)	(3,843)
Increase (Decrease) in Liabilities:		
Funds held on behalf of others	459,251	(33,229)
Accounts payable	(91,137)	(30,256)
Accrued salaries and benefits	588,421	78,285
Group home Medicaid liability	(23)	(36,241)
Deferred revenue	11,605	-
HUD tenant security deposits	347	594
Net Cash Provided By Operating Activities	<u>2,024,587</u>	<u>1,152,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(491,161)	(460,443)
Proceeds from disposal of property and equipment	158,299	2,905
Purchase of investments	(644,888)	(584,297)
Proceeds from sale of investments	644,888	584,297
Cash acquired from the acquisition of RISE, Inc.	<u>102,658</u>	<u>-</u>
Net Cash Used In Investing Activities	<u>(230,204)</u>	<u>(457,538)</u>

(Continued)

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019



	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in pledges receivable for long-term purposes	\$ 60,000	\$ (11,489)
Repayment of the RISE, Inc. line of credit assumed during the acquisition	(112,243)	-
Payment for loan issuance costs	(7,989)	-
Payments on capital lease obligation	(70,635)	(42,775)
Repayments on long-term debt	(96,914)	(65,060)
Net Cash Used In Financing Activities	<u>(227,781)</u>	<u>(119,324)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	1,566,602	576,066
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>\$ 3,307,666</u>	<u>\$ 2,731,600</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 4,874,268</u></u>	<u><u>\$ 3,307,666</u></u>
AS PRESENTED ON THE ACCOMPANYING STATEMENTS OF FINANCIAL POSITION:		
Cash	\$ 4,300,968	\$ 3,199,926
Client checking - restricted	537,900	78,649
HUD cash reserve for replacements and residual receipts - restricted	<u>35,400</u>	<u>29,091</u>
TOTAL CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 4,874,268</u></u>	<u><u>\$ 3,307,666</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 25,645	\$ 19,801
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of equipment through capital leases	\$ 119,474	\$ 68,468
Purchase of property with long-term debt	145,000	-
In-kind donations of investments	14,109	10,928
In-kind donations of property and equipment	-	9,260
Acquisition of the assets of RISE, Inc.:		
Accounts receivable and other assets	\$ 124,725	\$ -
Property and equipment	1,154,574	-
Current liabilities	(58,989)	-
Line of credit assumed	(112,243)	-
Long term debt assumed	<u>(448,557)</u>	<u>-</u>
Noncash contribution resulting from the acquisition of RISE, Inc.	<u><u>\$ 659,510</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses Year Ended December 31, 2020



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Salaries	\$ 1,646,860	\$ 1,425,343	\$ 2,430,934	\$ 7,884,376	\$ 49,500	\$ 13,437,013	\$ 629,751	\$ 109,206	\$ 14,175,970
Retirement plan	10,055	13,815	17,347	61,141	-	102,358	62,253	1,658	166,269
Group insurance	165,431	182,825	222,966	958,402	7,776	1,537,400	230,165	19,662	1,787,227
Staff development	3,283	10	734	1,901	-	5,928	16,719	80	22,727
Unemployment compensation	11,818	2,103	4,377	41,248	-	59,546	5,683	536	65,765
Workers' compensation insurance	14,995	12,430	39,158	116,427	432	183,442	3,021	134	186,597
Payroll taxes	<u>119,375</u>	<u>119,668</u>	<u>177,302</u>	<u>579,511</u>	<u>4,963</u>	<u>1,000,819</u>	<u>42,279</u>	<u>7,542</u>	<u>1,050,640</u>
Total salaries and related expenses	1,971,817	1,756,194	2,892,818	9,643,006	62,671	16,326,506	989,871	138,818	17,455,195
Audit and legal expense	7,555	4,838	26,081	32,134	-	70,608	68,107	358	139,073
Client wages	11,996	284,409	-	1,415	-	297,820	1,108	-	298,928
Community grants	10,118	-	-	-	-	10,118	-	-	10,118
Community training	6,614	511	3,224	5,629	-	15,978	662	-	16,640
Consultants	1,970	-	98,082	315,996	2,450	418,498	69,321	-	487,819
Cost of sales	-	124,566	-	-	-	124,566	-	-	124,566
Depreciation	123,679	90,949	73,187	81,256	23,201	392,272	202,144	14,804	609,220
Education and training	9,459	14,781	-	1,804	-	26,044	1	-	26,045
Electronic monitoring	-	-	-	15,983	-	15,983	-	-	15,983
Food	34,711	976	128,715	5,132	-	169,534	7,895	234	177,663
Fundraising expense	-	-	-	-	-	-	-	31,515	31,515
Household/small office equipment	6,439	3,194	70,669	8,009	2,630	90,941	175,102	-	266,043
Householder expense	-	-	-	262,847	-	262,847	-	-	262,847
Insurance	20,574	26,286	45,966	39,265	6,754	138,845	37,481	446	176,772
Interest	-	2,002	2,640	1,261	11,501	17,404	8,241	-	25,645
Management fee	-	-	-	-	12,780	12,780	-	-	12,780
Membership dues	18,729	13,900	24,938	79,450	-	137,017	12,148	1,039	150,204
Operating expense	-	9,472	-	-	-	9,472	-	-	9,472

(Continued)

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses (Continued)
Year Ended December 31, 2020



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Other expense	\$ 10,054	\$ 15,483	\$ 14,364	\$ 17,516	\$ -	\$ 57,417	\$ 40,918	\$ 5,030	\$ 103,365
Postage	1,586	23,981	2,387	8,054	-	36,008	1,356	105	37,469
Printing	291	255	394	1,307	-	2,247	97	17	2,361
Professional fees	14,173	12,713	20,426	73,323	1,800	122,435	83,742	5,354	211,531
Provider assessment	-	-	277,572	-	-	277,572	-	-	277,572
Public information	-	-	-	-	-	-	39,533	311	39,844
Rent	9,104	4,740	69,306	62,202	-	145,352	53,378	325	199,055
Repair and maintenance	39,662	52,030	30,193	23,516	10,837	156,238	70,244	1,746	228,228
Respite expense	-	-	-	16,895	-	16,895	-	-	16,895
Security	240	1,752	9	259	-	2,260	312	12	2,584
Staff recruitment	2,058	1,555	3,912	15,093	-	22,618	6,215	135	28,968
Subscriptions	-	501	4,069	8,992	-	13,562	3,336	-	16,898
Supplies	12,358	10,472	42,635	18,029	-	83,494	20,925	141	104,560
Technology	767	771	3,014	3,112	-	7,664	160,468	5,957	174,089
Telephone	21,738	5,299	29,073	64,269	6,666	127,045	38,434	1,931	167,410
Transportation	34,473	23,386	5,790	12,470	-	76,119	934	-	77,053
Travel	12,848	2,567	8,730	64,110	-	88,255	1,918	1,231	91,404
Utilities	30,677	49,705	49,160	24,926	25,806	180,274	47,091	1,654	229,019
Vehicle	31,438	16,459	28,698	5,216	-	81,811	22,363	-	104,174
TOTAL EXPENSES	\$ 2,445,128	\$ 2,553,747	\$ 3,956,052	\$ 10,912,476	\$ 167,096	\$ 20,034,499	\$ 2,163,345	\$ 211,163	\$ 22,409,007

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses Year Ended December 31, 2019



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Salaries	\$ 1,471,435	\$ 1,235,240	\$ 2,180,646	\$ 7,797,238	\$ 49,500	\$ 12,734,059	\$ 414,702	\$ 110,169	\$ 13,258,930
Retirement plan	9,123	13,020	18,256	52,483	-	92,882	58,201	1,795	152,878
Group insurance	161,298	181,724	242,722	972,154	7,596	1,565,494	196,930	14,663	1,777,087
Staff development	6,438	1,707	1,256	6,903	-	16,304	23,195	-	39,499
Unemployment compensation	7,179	-	(197)	3,954	-	10,936	-	-	10,936
Workers' compensation insurance	18,081	17,099	46,801	156,074	432	238,487	1,268	130	239,885
Payroll taxes	<u>108,129</u>	<u>118,075</u>	<u>157,705</u>	<u>565,751</u>	<u>4,752</u>	<u>954,412</u>	<u>30,280</u>	<u>7,936</u>	<u>992,628</u>
Total salaries and related expenses	1,781,683	1,566,865	2,647,189	9,554,557	62,280	15,612,574	724,576	134,693	16,471,843
Audit and legal expense	5,344	4,336	42,045	24,542	5,000	81,267	3,183	290	84,740
Client wages	26,206	394,218	-	2,335	-	422,759	1,090	-	423,849
Community grants	21,422	-	-	-	-	21,422	-	-	21,422
Community training	5,186	33	4,890	23,156	-	33,265	-	-	33,265
Consultants	1,950	378	30,417	95,643	972	129,360	63,738	-	193,098
Cost of sales	-	147,183	-	-	-	147,183	-	-	147,183
Depreciation	115,045	88,203	67,551	76,248	19,878	366,925	128,338	16,382	511,645
Education and training	46,995	40,417	104	19,058	-	106,574	-	-	106,574
Electronic monitoring	-	-	-	15,583	-	15,583	-	-	15,583
Food	75,344	3,221	126,931	8,155	-	213,651	7,605	1,333	222,589
Fundraising expense	-	-	-	-	-	-	-	74,628	74,628
Household/small office equipment	9,551	5,080	60,232	5,480	517	80,860	3,326	24	84,210
Householder expense	-	-	-	252,051	-	252,051	-	-	252,051
Insurance	15,325	22,019	37,468	33,595	7,145	115,552	16,983	482	133,017
Interest	-	-	3,044	1,267	15,490	19,801	-	-	19,801
Management fee	-	-	-	-	12,780	12,780	-	-	12,780
Membership dues	15,908	11,857	20,529	70,950	-	119,244	10,299	1,002	130,545
Operating expense	-	11,758	-	-	-	11,758	-	-	11,758

(Continued)

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses (Continued) Year Ended December 31, 2019



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Other expense	\$ 11,397	\$ 62,636	\$ 10,670	\$ 15,740	\$ -	\$ 100,443	\$ 26,785	\$ 8,003	\$ 135,231
Postage	1,325	31,339	2,001	7,002	-	41,667	2,581	99	44,347
Printing	-	-	-	707	-	707	198	-	905
Professional fees	14,809	27,324	20,959	80,751	1,800	145,643	33,222	1,124	179,989
Provider assessment	-	-	258,119	-	-	258,119	-	-	258,119
Public information	-	-	-	-	-	-	38,809	836	39,645
Rent	15,382	4,837	69,149	54,869	-	144,237	9,226	412	153,875
Repair and maintenance	63,649	83,990	33,984	44,760	17,707	244,090	64,357	3,025	311,472
Respite expense	-	-	-	26,350	-	26,350	-	-	26,350
Security	303	1,760	21	342	-	2,426	379	19	2,824
Staff recruitment	3,840	829	6,205	19,180	-	30,054	5,218	177	35,449
Subscriptions	160	420	4,927	10,837	-	16,344	3,186	-	19,530
Supplies	20,935	24,367	54,714	25,238	-	125,254	8,282	240	133,776
Technology	1,613	650	3,466	1,474	-	7,203	128,464	353	136,020
Telephone	16,894	6,590	28,531	67,815	7,138	126,968	23,658	2,098	152,724
Transportation	81,582	36,587	12,743	28,964	-	159,876	-	-	159,876
Travel	21,861	1,270	12,668	112,047	-	147,846	9,960	627	158,433
Tuition reimbursement	2,149	-	-	1,200	-	3,349	-	-	3,349
Utilities	31,652	54,726	52,776	23,807	25,259	188,220	37,582	1,984	227,786
Vehicle	<u>21,673</u>	<u>21,442</u>	<u>33,934</u>	<u>9,507</u>	<u>-</u>	<u>86,556</u>	<u>12,753</u>	<u>-</u>	<u>99,309</u>
TOTAL EXPENSES	\$ <u>2,429,183</u>	\$ <u>2,654,335</u>	\$ <u>3,645,267</u>	\$ <u>10,713,210</u>	\$ <u>175,966</u>	\$ <u>19,617,961</u>	\$ <u>1,363,798</u>	\$ <u>247,831</u>	\$ <u>21,229,590</u>

See Notes to Financial Statements.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements
December 31, 2020 and 2019



Note 1. Organization and Summary of Significant Accounting Policies

Organization:

The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. ("Organization") is a not-for-profit organization whose mission and activities are to promote the general welfare of people who are mentally and physically challenged by fostering the development of programs on behalf of these individuals, encouraging research and providing consultation and aid to parents associated with the mentally and physically challenged. The Organization's revenue and other support are derived principally from fees for services, contributions, and federal and state grants, and its activities are conducted principally in the Fort Wayne, Indiana area.

Allen County Group Homes (HUD project #073-EH010-L8-WHC-IN36-T781-004) ("Project") is a 24-bed group home for the developmentally challenged in Allen County, Indiana. The project is operated under Section 202 of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development ("HUD") with respect to rental charges and operating methods. The Project is subject to Section 8 Housing Assistance Payment agreements with HUD, and a significant portion of the Project's rental income is received from HUD.

Basis of Preparation:

The financial statements are prepared on an accrual basis of accounting.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations and may be used at the discretion of management to support the Organization's purposes and operations. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, and have been restricted by donors to be maintained in perpetuity.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Restricted Cash:

Cash equivalents related to uninvested cash are considered part of investments for financial statement purposes. Client checking accounts are restricted because they are not owned by the Organization. These accounts are offset by the funds held on behalf of others liability in the statements of financial position. HUD cash accounts are restricted in accordance with the related mortgage. See note 9 for more information.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable:

Accounts receivable are due from governmental and other significant funding sources and are recorded at their contract amounts adjusted for any charge-offs and the allowance for doubtful accounts. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including the credit concentrations, trends in historical loss experience, specific impaired accounts receivable, and economic conditions. The accounts receivable balance was \$1,031,979, \$1,013,381 and \$996,219 at December 31, 2020, 2019 and 2018, respectively.

Pledges Receivable:

The Organization recognizes pledges as public support in the year the promise is made. The present value of these estimated future cash flows is recorded as a receivable, net of any allowance for uncollectible pledges. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including credit concentrations, trends in historical loss experience, specific impaired pledges receivable, and economic conditions.

Inventory:

Inventory is recorded using the lower of cost or market with cost being determined on the basis of first-in, first-out. In valuing inventory, the Organization is required to make assumptions regarding the level of reserves required to value potentially obsolete or over-valued items at the lower of cost or market. At December 31, 2020 and 2019, reserves for excess and obsolete inventory totaled \$4,723 and \$13,223, respectively.

Investments:

Investments in marketable securities are carried at fair value. Investment income includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; realized gains and losses on other investments; and is net of investment expenses.

Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of \$500 or more and a useful life of one year or more are capitalized. Additions and improvements that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method based on estimated useful lives.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition:

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2020 and 2019, approximately \$0 and \$275,000, respectively, of contributions have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met. These contributions require specific expenditures related to fixed asset purchases, which were completed during 2020.

All contributions of cash and other assets are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, 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 statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

In-Kind Contributions:

In addition to receiving cash contributions, the Organization receives in-kind contributions of assets and services from various donors. It is the policy of the Organization to record the estimated fair values of qualified in-kind donations as expenses or capital assets in its financial statements, and similarly increase contribution revenue by a like amount.

Gifts of equipment are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses:

The 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 several different items including time studies, percentage of budgeted expenses, and percent of total employees. The expenses associated with occupying and maintaining the buildings, such as depreciation, utilities, building maintenance, security and property insurance are allocated based on the square footage of space occupied by each program and supporting service. Membership dues, legal and professional fees, printing, liability insurance, equipment maintenance, supplies, postage, maintenance and technology are allocated based on staff payroll.

Income Taxes:

The Organization is a publicly supported organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these financial statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of income subject to unrelated business income tax ("UBIT"). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2020 and 2019.

The Organization files tax returns in the U.S. federal jurisdiction and the State of Indiana. The Organization believes it is no longer subject to income tax examinations for years prior to 2017.

Credit Risk and Concentrations:

The Organization maintains its cash in bank deposit accounts which, at various times throughout the year, exceeded federally insured limits.

Unemployment Compensation:

For unemployment compensation purposes, the Organization has elected to reimburse the State of Indiana for claims made. Such reimbursements are charged to expense as they are paid.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards:

Pronouncements Currently Under Evaluation:

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with initial terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will affect the pattern of expense recognition in the statement of activities. This standard is effective for the calendar year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on its financial statements.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through May 12, 2021, the date the financial statements were available to be issued. See Note 20.

Note 2. Acquisition

On July 1, 2020, the Organization acquired the assets of RISE, Inc ("RISE"). The accompanying financial statements include the results of RISE's operations from July 1, 2020 through the Organization's year end of December 31, 2020.

The following represents the significant details associated with the acquisition of the assets and assumption of liabilities:

Cash	\$ 102,658
Accounts receivable	107,082
Prepaid expenses	17,643
Property and equipment	1,154,574
Current liabilities	(58,989)
Line of credit	(112,243)
Long-term debt	<u>(448,557)</u>
	<u>\$ 762,168</u>

The Organization did not pay cash for the net assets of RISE, resulting in a contribution of \$762,168 in the accompanying statements of activities.

Accounts Receivable:

The purchase included the assumption of gross customer accounts receivable totaling \$107,082. Substantially all of the receivables were collected by December 31, 2020.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 2. Acquisition (Continued)

Acquisition-Related Expenses:

Included in general and administrative expenses in the statement of activities for the year ended December 31, 2020, were charges totaling approximately \$15,000 for advisory and legal costs in connection with the RISE, Inc. acquisition.

Note 3. Pledges Receivable

Pledges receivable consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 257,576	\$ 354,008
Due in one to five years	<u>200,000</u>	<u>260,000</u>
	457,576	614,008
Less discount (at 0.10% and 1.59% for 2020 and 2019, respectively) to net present value	<u>966</u>	<u>13,205</u>
Net pledges receivable	<u><u>\$ 456,610</u></u>	<u><u>\$ 600,803</u></u>

Note 4. Investments

Investments consist of the following at December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 84,173	\$ 84,173	\$ 77,821	\$ 77,821
Mutual funds	718,194	811,161	601,068	642,800
Exchange-traded funds	411,349	530,736	376,139	512,388
Common stocks	559,552	861,881	539,563	762,158
Corporate bonds	<u>373,121</u>	<u>410,999</u>	<u>421,473</u>	<u>438,280</u>
	<u><u>\$ 2,146,389</u></u>	<u><u>\$ 2,698,950</u></u>	<u><u>\$ 2,016,064</u></u>	<u><u>\$ 2,433,447</u></u>

Investment income in the statements of activities is reported net of related investment expenses of \$17,667 and \$16,451 for the years ended December 31, 2020 and 2019, respectively.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2020:

	Estimated Useful Lives	General Fund	HUD Residential Home Fund	Total
Land		\$ 1,161,461	\$ 52,348	\$ 1,213,809
Land Improvements	8 - 20 years	424,285	54,050	478,335
Leasehold Improvements	25 years	21,773	-	21,773
Buildings	5 - 30 years	8,503,752	762,839	9,266,591
Vehicles	3 - 5 years	971,365	-	971,365
Computer Equipment	3 - 5 years	743,704	-	743,704
Furniture & Fixtures	3 - 20 years	677,141	77,668	754,809
Equipment	3 - 20 years	632,349	28,257	660,606
Capital Projects Inprogress		<u>107,535</u>	<u>-</u>	<u>107,535</u>
		13,243,365	975,162	14,218,527
Less: Accumulated depreciation		<u>7,204,228</u>	<u>757,758</u>	<u>7,961,986</u>
		<u>\$ 6,039,137</u>	<u>\$ 217,404</u>	<u>\$ 6,256,541</u>

Property and equipment consists of the following at December 31, 2019:

	Estimated Useful Lives	General Fund	HUD Residential Home Fund	Total
Land		\$ 953,061	\$ 52,348	\$ 1,005,409
Land Improvements	8 - 20 years	382,310	54,050	436,360
Leasehold Improvements	25 years	21,773	-	21,773
Buildings	5 - 30 years	7,348,713	757,433	8,106,146
Vehicles	3 - 5 years	752,436	-	752,436
Computer Equipment	3 - 5 years	711,890	-	711,890
Furniture & Fixtures	3 - 20 years	648,584	66,977	715,561
Equipment	3 - 20 years	561,761	24,451	586,212
Capital Projects Inprogress		<u>148,211</u>	<u>-</u>	<u>148,211</u>
		11,528,739	955,259	12,483,998
Less: Accumulated depreciation		<u>6,630,038</u>	<u>734,557</u>	<u>7,364,595</u>
		<u>\$ 4,898,701</u>	<u>\$ 220,702</u>	<u>\$ 5,119,403</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$609,220 and \$511,645, respectively.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 6. Beneficial Interest in Assets Held by a Community Foundation

The Community Foundation of Greater Fort Wayne Inc. ("Community Foundation") holds funds in the Organization's name totaling \$74,625 and \$67,587 at December 31, 2020 and 2019, respectively. These are the result of an agreement whereby the Organization has transferred assets, without variance power, to the Community Foundation and has specified itself as the beneficiary of the assets. The Organization may draw up to eight percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. These assets are being accounted for as investments and are classified as beneficial interest in assets held by a community foundation in the statements of financial position.

Additionally, the Community Foundation holds investment assets, with a value of \$55,594 and \$50,295 at December 31, 2020 and 2019, respectively, for the benefit of the Organization for which it has retained variance power. These investments are not recorded as assets of the Organization.

Note 7. Beneficial Interest in Perpetual Trust

The Organization is the beneficiary under a charitable remainder trust administered by a third party trustee. Under the terms of the trust, the Organization has the irrevocable right to receive income earned by the trust's assets each year in perpetuity. The Organization's interest in the trust is valued at the Organization's share of the fair value of the underlying net assets. The original contribution of \$92,019 is classified as net assets with donor restrictions. Distributions received from the trust are recorded as revenue without donor restrictions. The change in fair value is recorded in net assets without donor restrictions as a gain or loss on investments. The estimated fair value of the Organization's beneficial interest in perpetual trust is \$114,381 and \$98,907 at December 31, 2020 and 2019, respectively.

Note 8. Fair Value Measurements

Fair value measurements are based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, and are determined by either the principal market or the most advantageous market.

The fair value measurements framework establishes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 measurements having the highest priority and Level 3 measurements having the lowest priority.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access at the measurement date.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 8. Fair Value Measurements (Continued)

Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable in the market.

The asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Cash and cash equivalents: Cash is valued at cost. Cash equivalents are valued at their closing price at year end, reported in the active market in which the cash equivalents are traded.

Mutual funds: Valued at the quoted market prices, which represent net asset values ("NAV") of shares held at year end.

Exchange-traded funds: Valued at the closing price at year end, reported in the active market in which the funds are traded.

Common stocks: Valued at the closing price at year end, reported in the active market in which the stocks are traded.

Corporate bonds: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interest in assets held by a community foundation: Valued based on the underlying investments held by and reported to the Organization by the Community Foundation.

Beneficial interest in perpetual trust: Valued at the Organization's share of the fair value of the underlying net assets held by and reported to the Organization by the trustee.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis as of December 31, 2020 and 2019.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 84,173	\$ -	\$ -	\$ 84,173
Mutual funds				
Bank loan	43,587	-	-	43,587
Diversified emerging markets	99,216	-	-	99,216
Foreign large blend	72,076	-	-	72,076
Infrastructure	53,932	-	-	53,932
Intermediate term bond	201,293	-	-	201,293
Mid-cap growth	101,164	-	-	101,164
Mid-cap value	17,956	-	-	17,956
Nontraditional bond	53,982	-	-	53,982
Small cap value	38,828	-	-	38,828
Small growth	17,205	-	-	17,205
World bond	33,383	-	-	33,383
International large cap growth	78,539	-	-	78,539
Total mutual funds	811,161	-	-	811,161
Exchange-traded funds				
Diversified emerging markets	75,078	-	-	75,078
Inflation protected bond	61,910	-	-	61,910
Intermediate term bond	21,175	-	-	21,175
Large blend	84,181	-	-	84,181
Large value	195,203	-	-	195,203
Mid-cap growth	54,405	-	-	54,405
Mid-cap value	38,784	-	-	38,784
Total exchange-traded funds	530,736	-	-	530,736
Common stocks				
Consumer discretionary	99,117	-	-	99,117
Consumer staples	46,972	-	-	46,972
Energy	9,736	-	-	9,736
Financial	114,570	-	-	114,570
Healthcare	120,578	-	-	120,578
Industrial	60,814	-	-	60,814
Information technology	264,296	-	-	264,296
Materials	23,817	-	-	23,817
Real estate	4,965	-	-	4,965
Telecommunication services	95,934	-	-	95,934
Utilities	21,082	-	-	21,082
Total common stocks	861,881	-	-	861,881
Corporate bonds - rated	410,999	-	-	410,999
Beneficial interest in assets held by a community foundation	-	-	74,625	74,625
Beneficial interest in perpetual trust	-	-	114,381	114,381
Total assets at fair value	\$ 2,698,950	\$ -	\$ 189,006	\$ 2,887,956

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 77,821	\$ -	\$ -	\$ 77,821
Mutual funds				
Bank loan	44,593	-	-	44,593
Diversified emerging markets	53,008	-	-	53,008
Foreign large blend	79,940	-	-	79,940
Intermediate term bond	122,084	-	-	122,084
Mid-cap growth	59,058	-	-	59,058
Mid-cap value	16,973	-	-	16,973
Nontraditional bond	50,352	-	-	50,352
World stock	89,931	-	-	89,931
Small cap value	22,069	-	-	22,069
Small growth	14,079	-	-	14,079
World bond	32,621	-	-	32,621
Infrastructure	58,092	-	-	58,092
Total mutual funds	642,800	-	-	642,800
Exchange-traded funds				
Diversified emerging markets	31,885	-	-	31,885
Inflation protected bond	56,536	-	-	56,536
Intermediate term bond	20,279	-	-	20,279
Large blend	115,339	-	-	115,339
Large growth	61,384	-	-	61,384
Large value	96,918	-	-	96,918
Mid-cap growth	40,434	-	-	40,434
Mid-cap value	37,908	-	-	37,908
Real estate investment trust	51,705	-	-	51,705
Total exchange-traded funds	512,388	-	-	512,388
Common stocks				
Consumer discretionary	85,180	-	-	85,180
Consumer staples	49,871	-	-	49,871
Energy	29,734	-	-	29,734
Financial	112,504	-	-	112,504
Healthcare	94,394	-	-	94,394
Industrial	69,489	-	-	69,489
Information technology	172,858	-	-	172,858
Materials	25,844	-	-	25,844
Real estate	14,913	-	-	14,913
Telecommunication services	80,273	-	-	80,273
Utilities	27,098	-	-	27,098
Total common stocks	762,158	-	-	762,158
Corporate bonds - rated	438,280	-	-	438,280
Beneficial interest in assets held by a community foundation	-	-	67,587	67,587
Beneficial interest in perpetual trust	-	-	98,907	98,907
Total assets at fair value	\$ 2,433,447	\$ -	\$ 166,494	\$ 2,599,941

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 8. Fair Value Measurements (Continued)

The table below presents information about the changes in Level 3 assets, which are measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in:	
	Assets Held by a Community Foundation	Perpetual Trust
Balance, January 1, 2019	\$ 56,863	\$ 91,631
Net realized and unrealized gains	8,848	7,276
Interest and dividends	2,188	-
Fees	<u>(312)</u>	<u>-</u>
Balance, December 31, 2019	67,587	98,907
Net realized and unrealized gains	5,989	15,474
Interest and dividends	1,377	-
Fees	<u>(328)</u>	<u>-</u>
Balance, December 31, 2020	<u>\$ 74,625</u>	<u>\$ 114,381</u>

Gains and losses (realized and unrealized) included in changes in net assets are reported in the statements of activities.

Note 9. Long-Term Debt

Long-term debt consists of the following at December 31, 2020 and 2019:

	2020	2019
Mortgage note payable to a commercial bank in monthly installments of \$2,056 including interest at 4.48%, matured May 2020, secured by residential facilities.	\$ -	\$ 8,149
Mortgage note payable to HUD in monthly installments of \$4,735, with interest at 9.25%, due November 2022, secured by HUD project residential facilities.	99,436	144,759
Mortgage note payable to a commercial bank in monthly installments of \$845 including interest at 3.50%, due November 2025, secured by real estate.	144,578	-

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Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 9. Long-Term Debt (Continued)

	<u>2020</u>	<u>2019</u>
Mortgage note payable to a commercial bank in monthly installments of \$2,616 including interest at 3.50%, due July 2025, secured by real estate.	\$ <u>405,536</u>	\$ -
	649,550	152,908
Less: Unamortized loan issuance costs	<u>7,296</u>	<u>-</u>
	<u>\$ 642,254</u>	<u>\$ 152,908</u>

Under the terms of the mortgage note payable to HUD, the Project is required to maintain certain escrow deposits and reserve accounts for replacements and residual receipts. It is also subject, under the terms of the mortgage, to restrictions on acquisition, use, and disposition of the mortgaged property and revenues derived therefrom.

Maturities of long-term debt for the five years ending after December 31, 2020, and in the aggregate, are as follows:

2021	\$ 72,061
2022	72,909
2023	24,006
2024	24,825
2025	<u>455,749</u>
	<u>\$ 649,550</u>

Interest expense for the years ended December 31, 2020 and 2019, was \$25,645 and \$19,801, respectively.

Note 10. Line of Credit

The Organization has a line of credit agreement with a bank that provides for a maximum borrowing of \$1,500,000, with interest at the prime interest rate (3.25% at December 31, 2020). The line is subject to a minimum interest rate of 3.00%. The line is collateralized by all accounts and investments held at the respective bank, and matures July 1, 2021. There was no outstanding balance on the line at December 31, 2020 and 2019.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 11. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting use, within one year of the statements of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and client checking - restricted	\$ 4,838,868	\$ 3,278,575
Accounts receivable, net of allowance	1,031,979	1,013,381
Pledges receivable, net of unamortized discount	456,610	600,803
HUD reserve for replacements and residual receipts	35,400	29,091
Investments	2,698,950	2,433,447
Beneficial interest in assets held by third party	<u>189,006</u>	<u>166,494</u>
Total financial assets	9,250,813	7,521,791
Less: Financial assets not available to be used within one year:		
Cash - restricted	537,900	78,649
Pledges receivable not due within one year	200,000	260,000
HUD cash reserve for replacements and residual receipts - restricted	35,400	29,091
Beneficial interest in assets held by third party	96,987	74,475
Board designated	1,951,090	1,708,185
Restricted by donors with purpose restrictions	<u>1,398,579</u>	<u>1,300,074</u>
Total financial assets not available for general expenditures within one year	<u>4,219,956</u>	<u>3,450,474</u>
Total financial assets available for general expenditures within one year	<u>\$ 5,030,857</u>	<u>\$ 4,071,317</u>

The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of the liquidity management plan, cash in excess of necessary and prudent savings requirements is placed in the investment account. To help manage unanticipated liquidity needs, the Organization has a line of credit in the amount of \$1,500,000 which can be drawn upon.

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Although the Organization does not intend to spend from this board designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 12. Net Assets

Net assets without donor restrictions includes \$1,951,090 and \$1,708,185 at December 31, 2020 and 2019, respectively, of net assets designated by the board of directors for endowment purposes. See note 14 for further information.

Net assets with donor restrictions were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Time and purpose restrictions:		
Programming	\$ 146,533	\$ 25,140
Endowment - unappropriated earnings	186,246	163,647
Assistive technology award program	12,950	6,948
Capital improvements	4,249	10,729
Sue Schmidt recreation program	230	230
Adopt-a-Family	-	466
Time and purpose restriction - consulting	1,673	6,216
Time restriction - operating support	<u>400,000</u>	<u>440,000</u>
	751,881	653,376
Restricted in perpetuity:		
Investment in perpetuity, the income of which is expendable to support any activity of the Organization	240,579	240,579
Recreation endowment	133,100	133,100
Beneficial interest in perpetual trust	92,019	92,019
Ballroom Dance endowment	10,000	10,000
Adopt-a-Family endowment	25,000	25,000
Music endowment	<u>146,000</u>	<u>146,000</u>
	<u>646,698</u>	<u>646,698</u>
Total net assets with donor restrictions	<u>\$ 1,398,579</u>	<u>\$ 1,300,074</u>

Net assets were released from time and purpose restrictions during the years ended December 31, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Time restrictions expired	\$ 260,000	\$ 410,900
Satisfaction of purchase requirements	6,480	2,092
Satisfaction of program requirements	<u>159,690</u>	<u>43,417</u>
	<u>\$ 426,170</u>	<u>\$ 456,409</u>

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 13. State and Local Revenue

State and local revenue received during the years ended December 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
State of Indiana:		
Title XIX Medicaid	\$ 3,757,102	\$ 3,582,977
Medicaid day program	579,821	564,999
Medicaid waiver	11,750,050	12,499,291
Employment grants	16,684	54,575
DFC supervision	12,690	78,004
Caregiver support	1,954	2,898
Pre-employment transitions - State portion	115,822	151,138
Vocational rehab employment revenue	308,455	358,986
Parent and child connection	<u>16,749</u>	<u>73,718</u>
Total State Revenue	16,559,327	17,366,586
Allen County:		
Property tax assessments	<u>913,815</u>	<u>884,830</u>
Total State and Local Revenue	<u>\$ 17,473,142</u>	<u>\$ 18,251,416</u>

Note 14. Endowment

The Organization has currently invested its donor-restricted and board designated endowment funds in cash and an investment account with a mixture of equities, fixed income, and cash and cash equivalents. The endowments have been established to meet the potential current and future needs of the Organization and to support the recreation, ballroom, adopt-a-family, and music programs. As required by accounting principles generally accepted in the United States of America ("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.

Interpretation of UPMIFA:

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 net assets that are donor restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not donor restricted in perpetuity is classified as net assets with donor restrictions for time and purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 14. Endowment (Continued)

- (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
- (7) The investment policies of the Organization

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period(s) as well as board designated funds.

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:

The Finance and Outcomes Committee shall determine, in conjunction with the President/Chief Executive Officer and Chief Financial Officer during the annual budgeting approval process, the target goals for investment income use and goals for the Board Designated Fund and report those to the Investment Committee. The annual budget should include a percentage determination of cash transfer, based on a three year average of beginning year fund balance. Requests for additional cash transfers over and above the budgeted percentage will require a formal written request to the Finance and Outcomes Committee for approval. The special requests should be limited to emergency situations, new program development costs, or dollars to support programs core to the mission that cannot attract other funding sources.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 14. Endowment (Continued)

Endowment net asset composition by type of fund at December 31, 2020 and 2019, was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 740,925	\$ 740,925
Board designated endowment funds	<u>1,951,090</u>	<u>-</u>	<u>1,951,090</u>
Total endowment net assets	<u>\$ 1,951,090</u>	<u>\$ 740,925</u>	<u>\$ 2,692,015</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 718,326	\$ 718,326
Board-designated endowment funds	<u>1,708,185</u>	<u>-</u>	<u>1,708,185</u>
Total endowment net assets	<u>\$ 1,708,185</u>	<u>\$ 718,326</u>	<u>\$ 2,426,511</u>

Changes in endowment net assets for the years ended December 31, 2020 and 2019, were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,708,185	\$ 718,326	\$ 2,426,511
Investment return:			
Interest and dividends	50,923	10,199	61,122
Realized gain	89,905	18,006	107,911
Unrealized gain	113,991	22,830	136,821
Fees	<u>(14,446)</u>	<u>(2,893)</u>	<u>(17,339)</u>
Total investment return	240,373	48,142	288,515
Contributions and grants	4,839	-	4,839
Appropriation for expenditure	<u>(2,307)</u>	<u>(25,543)</u>	<u>(27,850)</u>
Net grants (expenditures)	<u>2,532</u>	<u>(25,543)</u>	<u>(23,011)</u>
Endowment net assets, end of year	<u>\$ 1,951,090</u>	<u>\$ 740,925</u>	<u>\$ 2,692,015</u>

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 14. Endowment (Continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,383,654	\$ 675,429	\$ 2,059,083
Investment return:			
Interest and dividends	48,684	10,171	58,855
Realized gain	59,827	10,918	70,745
Unrealized gain	219,372	48,034	267,406
Fees	(13,093)	(3,046)	(16,139)
Total investment return	314,790	66,077	380,867
Contributions and grants	10,928	-	10,928
Appropriation for expenditure	(1,187)	(23,180)	(24,367)
Net grants (expenditures)	9,741	(23,180)	(13,439)
Endowment net assets, end of year	\$ <u>1,708,185</u>	\$ <u>718,326</u>	\$ <u>2,426,511</u>

Description of amounts classified as net assets with donor restrictions for time or net assets with donor restrictions in perpetuity (endowment only):

	2020	2019
Net Assets With Donor Restrictions for Time		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	\$ 186,246	\$ 163,647
Net Assets With Donor Restrictions in Perpetuity		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 554,679	\$ 554,679

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Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 15. In-Kind Contributions

Donated assets, services, supplies, and other expenses have been included in the financial statements at fair market value as contributions in-kind and are reflected as follows:

	<u>2020</u>	<u>2019</u>
Community support	\$ -	\$ 1,729
Rehab and work services	-	850
Residential services	-	33
Supported living and client health and wellness	572	9,153
Management and general	3,774	1,730
Fundraising	<u>-</u>	<u>1,109</u>
	<u>\$ 4,346</u>	<u>\$ 14,604</u>

Note 16. Capital Lease

The Organization has entered into capital lease agreements for an administrative vehicle and three transit vehicles to be used in daily operations. In aggregate, the lease agreements require monthly payments of approximately \$7,100 including interest ranging from 2.18% to 4.50%.

The assets under the capital leases, which are included in statements of financial position at December 31, are as follows:

	<u>2020</u>	<u>2019</u>
Capitalized leased vehicle liability	\$ 385,880	\$ 261,580
Less: Accumulated amortization	<u>140,031</u>	<u>71,585</u>
	<u>\$ 245,849</u>	<u>\$ 189,995</u>

Lease amortization has been included in accumulated depreciation and the provision for depreciation in the accompanying financial statements.

Future minimum lease payments at December 31, 2020, are as follows:

2021	\$ 85,869
2022	56,186
2023	43,626
2024	29,294
2025	<u>885</u>
	215,860
Less amount representing interest	<u>10,037</u>
Present value of future minimum lease payments	205,823
Less: current portion	<u>80,300</u>
Noncurrent portion	<u>\$ 125,523</u>

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 17. Operating Leases

The Organization leases certain equipment, vehicles, facility space and apartments under operating leases, which expire in various years through 2025. Total rent expense was \$199,055 and \$153,875 for the years ended December 31, 2020 and 2019, respectively.

Minimum future rental payments under existing and subsequently renewed noncancellable operating leases, having initial or remaining terms in excess of one year at December 31, 2020 are as follows:

2021	\$ 109,920
2022	53,058
2023	30,442
2024	29,774
2025	<u>4,910</u>
	<u>\$ 228,104</u>

Note 18. Employee Benefit Plan

The Organization has a defined contribution plan ("Plan") under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time employees, with an employer match for eligible employees who are 21 years of age, have one year of service, and complete 1,000 hours of service within the Plan year. For the years ended December 31, 2020 and 2019, the employer match was 50% of employee contributions not to exceed 3% of the employee's regular wages. Additionally, the Organization may make a discretionary contribution. Participants are 100% vested after three years. The Organization incurred expenses, related to the Plan, in the amount of \$166,269 and \$152,878 for the years ended December 31, 2020 and 2019, respectively.

Note 19. Credit Risk, Concentrations and Contingencies

The Organization has significant investments in stocks, bonds, and mutual funds and is, therefore, subject to credit risk. Investments are made by investment managers engaged by the Organization. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

The Organization receives substantial support from federal and state government agencies. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's future programs and activities.

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Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 19. Credit Risk, Concentrations and Contingencies (Continued)

The Organization provides various services to clients under agreements with state and federal governments which accounts for substantially all revenue. These agreements provide for compensation to the Organization at established cost reimbursement methodologies and established rates from the state and federal governments for Medicaid Waiver services. Client rates are set prospectively from actual cost information submitted on annual cost reports. At December 31, 2020 and 2019, the cost reports for Indiana Medicaid Title XIX Group Home program for the years 2001 and 2000 remain open due to rates being currently under appeal. The cost reports for July 1994, October 1995, October 1997, and October 1998 also have open appeals per the State of Indiana; however, rate adjustments to date have not been reflective of those years.

Medicaid Waiver rates are set by the State of Indiana. Budgets are then set for each client using a combination of assessment scores and case manager evaluation tools. Medicaid Waiver has not performed an audit of service billing for all clients to date.

The Organization has received preliminary results from the audits conducted on Medicaid Group Home cost reports but not individual client audits on Medicaid Waiver services. The Organization has estimated a liability of \$84,701 and \$84,724 at December 31, 2020 and 2019, respectively, for Group Home retroactive adjustments, additional provider liabilities, and other Medicaid Waiver program refunds that encompass the audits under appeal, as well as any future adjustment that could occur for past years. Because of uncertainties inherent in the estimation process, management's estimate of Medicaid adjustments and the corresponding Group Home Medicaid liability may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The Organization was self-insured for a portion of certain employee health benefits through December 31, 2020. The Organization has accrued for the estimated losses occurring from both asserted and unasserted claims. The estimate of the liability for unasserted claims arising from incurred but not reported claims has been based on analysis of historical claims data. At December 31, 2020 and 2019, the total self-insured liability was \$114,604 and \$109,078, respectively. The liability is accounted for under accrued salaries and benefits on the statements of financial position. Effective January 1, 2021, the Organization changed to a fully insured health plan.

In the normal course of business, the Organization is subject to potential claims. If and when such claims occur, it is the Organization's practice to defend these claims as they arise.

The Organization is monitoring the COVID-19 outbreak in the United States for impacts to its activities. The length of the outbreak is uncertain at this time and therefore, the impact on the Organization's financial position and results of its activities is unknown.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019



Note 20. Subsequent Events

In February 2021, the Organization's board of directors and the board of directors of Passages, Inc. ("Passages") approved the acquisition of Passages by the Organization for the purpose of combining resources and creating efficiencies. This will aid the Organization in its expansion into Whitley County, Indiana. The closing date of this transaction was March 1, 2021, at which time the Organization will reflect an estimated increase in cash, receivables and other assets of approximately \$3,482,000, an estimated increase in property and equipment of approximately \$1,458,000, and an increase in liabilities of approximately \$585,000.

In April 2021, the Organization received a Small Business Administration (SBA) loan in the amount of \$3,220,010 under the Paycheck Protection Program. The unsecured loan accrues interest at 1%, and has payment terms that begin 10 months following the covered period of the program and matures in April 2026. The loan may be forgiven if the Organization complies with the terms specified in the agreement.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER
SEALS ARC OF NORTHEAST INDIANA, INC.**



Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Award Expended
U.S. Department of Housing and Urban Development:			
Section 202, Mortgage Assistance	14.157	N/A	\$ 99,436
Section 8, Housing Assistance Payment Program	14.195	N/A	142,885
U.S. Department of Health and Human Services:			
COVID-19 Provider Relief Fund	93.498	N/A	404,087
U.S. Department of Education:			
Pass-through from Indiana Family and Social Services Administration, Division of Disability and Rehabilitative Services:			
Establishment Project	84.126A	N/A	8,858
U.S. Department of the Treasury:			
Pass-through from Indiana Family and Social Services Administration, Bureau of Developmental Disabilities Services:			
COVID-19 Coronavirus Relief Fund	21.019	N/A	1,022,570
U.S. Department of Agriculture:			
Pass-through from Indiana Department of Education:			
Child Care and Adult Care Food Program	10.558	(08) 1020080	23,452
National Endowment for the Arts	45.024	Arts Midwest	<u>2,738</u>
			<u>\$ 1,704,026</u>

See Notes to Schedule of Expenditures of Federal Awards.

THE ARC OF NORTHEAST INDIANA, INC. D/B/A EASTER SEALS ARC OF NORTHEAST INDIANA, INC.



Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2020

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Schedule of Financial Position Data

December 31, 2020



<u>ASSETS</u>		
CURRENT ASSETS		
1120	Cash - operations	\$ 2,714
1100T	Total Current Assets	2,714
RESTRICTED DEPOSITS		
1191	Tenant/patient deposits held in trust	4,818
FUNDED RESERVES		
1320	Replacement reserve	27,534
1340	Residual receipts reserve	7,866
1300T	Total Deposits	35,400
PROPERTY, PLANT AND EQUIPMENT		
1410	Land	106,398
1420	Buildings	762,839
1450	Furniture for project/tenant use	77,668
1470	Maintenance equipment	28,257
1400T	Total Property, Plant and Equipment	975,162
1495	LESS: Accumulated depreciation	757,758
1400N	NET PROPERTY, PLANT AND EQUIPMENT	217,404
1000T	TOTAL ASSETS	\$ 260,336
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
2110	Accounts payable - operations	\$ 4,796
2170	Mortgage payable - first mortgage (short-term)	49,697
2122T	Total Current Liabilities	54,493
LONG-TERM LIABILITIES		
2191	Tenant/patient deposits held in trust (contra)	4,818
2320	Mortgage payable - first mortgage	49,739
2300T	Total Long-Term Liabilities	54,557
2000T	TOTAL LIABILITIES	109,050
NET ASSETS		
3131	Unrestricted	151,286
3130	Total Net Assets	151,286
2033T	TOTAL LIABILITIES AND NET ASSETS	\$ 260,336

See Independent Auditors' Report on Page 1.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Schedule of Activities Data

Year Ended December 31, 2020



		<u>REVENUE</u>	
	RENTAL		
5120	Tenant assistance payments	\$	142,976
5190	Miscellaneous rent revenue (Medicaid)		<u>85,076</u>
5100T	Total Rent Revenue		228,052
5200T	LESS: Vacancies		<u>91</u>
5152N	NET RENTAL REVENUE		227,961
5900T	TOTAL OTHER REVENUE		<u>9</u>
5000T	TOTAL REVENUE		227,970
		<u>EXPENSES</u>	
	ADMINISTRATIVE EXPENSES		
6310	Office salaries		17,820
6330	Manager or superintendent salaries		10,890
6390	Miscellaneous administrative expenses		<u>17,030</u>
6263T	Total Administrative Expenses		45,740
	UTILITIES EXPENSES		
6450	Electricity		12,414
6451	Water		9,923
6452	Gas		<u>3,469</u>
6400T	Total Utilities Expenses		25,806
	OPERATING AND MAINTENANCE EXPENSES		
6510	Payroll		20,790
6590	Miscellaneous operating and maintenance expense		<u>26,887</u>
6500T	Total Operating and Maintenance Expenses		47,677
	TAXES AND INSURANCE		
6711	Payroll taxes (project's share)		4,963
6722	Workers' compensation		432
6723	Health insurance and other employee benefits		<u>7,776</u>
6700T	Total Taxes and Insurance		13,171
	FINANCIAL EXPENSES		
6820	Interest on mortgage payable		<u>11,501</u>
6800T	Total Financial Expenses		<u>11,501</u>
6000T	TOTAL COST OF OPERATIONS BEFORE DEPRECIATION		<u>143,895</u>
5060T	PROFIT BEFORE DEPRECIATION		84,075
6600	Depreciation expense		<u>23,201</u>
5060N	NET PROFIT	\$	<u><u>60,874</u></u>

See Independent Auditors' Report on Page 1.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Computation of Surplus Cash - Annual

Year Ended December 31, 2020



CASH

Cash - operations	\$	2,714
Tenant security deposits		4,818
Tenant subsidy vouchers due for period covered by financial statements		<u>-</u>
Total Cash		7,532

CURRENT OBLIGATIONS

Accounts payable - 30 days		4,796
Accrued mortgage interest payable		-
Tenant security deposits liability		<u>4,818</u>
Total Current Obligations		<u>9,614</u>

CASH DEFICIENCY

\$ (2,082)

See Independent Auditors' Report on Page 1.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Schedule of Changes in Property and Equipment Accounts

Year Ended December 31, 2020



	Beginning Balance January 1, 2020	Additions	Disposals	Ending Balance December 31, 2020
Land	\$ 52,348	\$ -	\$ -	\$ 52,348
Land improvements	54,050	-	-	54,050
Buildings	757,433	5,406	-	762,839
Furniture for project/tenant use	66,977	10,691	-	77,668
Maintenance equipment	24,451	3,806	-	28,257
Motor vehicles	-	-	-	-
TOTAL COST	955,259	19,903	-	975,162
Accumulated depreciation	734,557	23,201	-	757,758
NET BOOK VALUE	<u>\$ 220,702</u>	<u>\$ (3,298)</u>	<u>\$ -</u>	<u>\$ 217,404</u>

See Independent Auditors' Report on Page 1.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Schedule of Reserve for Replacements

Year Ended December 31, 2020



BALANCE, January 1, 2020	\$ 21,225
Monthly deposits	6,300
Interest earned	9
Authorized withdrawals	<u>-</u>
BALANCE, December 31, 2020	\$ <u><u>27,534</u></u>

See Independent Auditors' Report on Page 1.

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**

Allen County Group Homes -

HUD Project # 073-EH010-L8-WHC-IN36-T781-004

Schedule of Residual Receipts

Year Ended December 31, 2020



BALANCE, January 1, 2020	\$	7,866
Monthly deposits		-
Interest earned		-
Authorized withdrawals		-
		<hr/>
BALANCE, December 31, 2020	\$	<u><u>7,866</u></u>

See Independent Auditors' Report on Page 1.



Certified Public Accountants • Business Consultants

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors

The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.
Fort Wayne, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baden, Gage & Schroeder, LLC". The script is cursive and fluid.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
May 12, 2021



Certified Public Accountants • Business Consultants

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

Board of Directors

The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.

Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

We have audited The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s major federal programs for the year ended December 31, 2020. The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
May 12, 2021

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
EASTER SEALS ARC OF NORTHEAST INDIANA, INC.**



Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

☐ YES ☒ NO

Significant deficiency(ies) identified that are not
considered to be material weaknesses?

☐ YES ☒ None Reported

Noncompliance material to financial statements noted?

☐ YES ☒ NO

Federal Awards

Noncompliance material to financial statements noted?

☐ YES ☒ NO

Internal control over major programs:

Material weakness(es) identified?

☐ YES ☒ NO

Significant deficiency(ies) identified not considered to be
material weakness(es)?

☐ YES ☒ None Reported

Type of auditors' report issued on compliance for major
programs:

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance?

☐ YES ☒ NO

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between type A
and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☐ YES ☒ NO

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings for 2020.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or questioned costs for 2020.

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

The Organization was not subject to Uniform Guidance in the prior year.