

Financial Statements

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

December 31, 2021 and 2020

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

Financial Statements
December 31, 2021 and 2020

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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

Opinion

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, 2021 and 2020, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary 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 and nonfederal awards, 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 42 - 47 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 statement. 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 audits 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 June 22, 2022, on our consideration of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Baden, Gage & Schroeder, LLC".

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
June 22, 2022

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

**Statement of Financial Position
December 31, 2021**



	General Fund	HUD Residential Home Fund	Total
<u>ASSETS</u>			
Cash	\$ 6,749,082	\$ 6,329	\$ 6,755,411
Client checking - restricted	397,960	-	397,960
Accounts receivable, net of allowance of \$9,976	2,267,515	-	2,267,515
Accounts receivable - related party	514,760	-	514,760
Accounts receivable - other	2,555,761	-	2,555,761
Pledges receivable, net of unamortized discount of \$817	209,595	-	209,595
HUD cash reserve for replacements and residual receipts - restricted	-	44,535	44,535
HUD tenant security deposits	-	4,819	4,819
Other deposits	12,173	-	12,173
Inventory, net of reserve of \$4,723	66,435	-	66,435
Prepaid expenses and other assets	166,668	-	166,668
Investments	4,408,378	-	4,408,378
Net property and equipment	9,934,130	203,175	10,137,305
Beneficial interest in assets held by a community foundation	90,957	-	90,957
Beneficial interest in perpetual trust	<u>449,919</u>	<u>-</u>	<u>449,919</u>
TOTAL ASSETS	\$ <u>27,823,333</u>	\$ <u>258,858</u>	\$ <u>28,082,191</u>
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES			
Funds held on behalf of others	\$ 447,579	\$ -	\$ 447,579
Accounts payable	277,959	4,416	282,375
Accounts payable - related party	58,034	-	58,034
Accrued salaries and benefits	1,558,709	-	1,558,709
Group home Medicaid liability	85,146	-	85,146
Capital lease liability	257,234	-	257,234
Deferred revenue	345,631	-	345,631
Long-term debt	418,354	49,739	468,093
HUD tenant security deposits	<u>-</u>	<u>4,819</u>	<u>4,819</u>
Total Liabilities	<u>3,448,646</u>	<u>58,974</u>	<u>3,507,620</u>
NET ASSETS			
Net assets without donor restrictions	22,718,679	199,884	22,918,563
Net assets with donor restrictions	<u>1,656,008</u>	<u>-</u>	<u>1,656,008</u>
Total Net Assets	<u>24,374,687</u>	<u>199,884</u>	<u>24,574,571</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>27,823,333</u>	\$ <u>258,858</u>	\$ <u>28,082,191</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, 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 Activities
Year Ended December 31, 2021



	Without Donor Restrictions		Total		
	General Fund	HUD Residential Home Fund	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE					
Group home	\$ 7,127,875	\$ -	\$ 7,127,875	\$ -	\$ 7,127,875
Medicaid waiver	15,677,158	-	15,677,158	-	15,677,158
Other governmental units	2,426,570	-	2,426,570	-	2,426,570
Program service fees	195,358	-	195,358	-	195,358
Production income	1,359,991	-	1,359,991	-	1,359,991
Grants	1,140,723	-	1,140,723	985,141	2,125,864
Contributions	636,425	-	636,425	10,000	646,425
Other income	6,403,003	-	6,403,003	-	6,403,003
HUD subsidy	-	143,584	143,584	-	143,584
Title XIX Medicaid	-	85,692	85,692	-	85,692
Special events	276,933	-	276,933	-	276,933
Investment income	49,750	10	49,760	12,420	62,180
Realized and unrealized gains on investments	420,758	-	420,758	88,440	509,198
Gain on disposal of property and equipment	109,463	-	109,463	-	109,463
Bad debt expense	(6,000)	-	(6,000)	-	(6,000)
Excess of assets acquired over liabilities assumed for Passages, Inc.	6,206,414	-	6,206,414	-	6,206,414
Net assets released from restrictions	<u>838,572</u>	<u>-</u>	<u>838,572</u>	<u>(838,572)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	42,862,993	229,286	43,092,279	257,429	43,349,708

(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, 2021



	Without Donor Restrictions		Total		
	General Fund	HUD Residential Home Fund	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES					
Program Expense:					
Community support	\$ 3,974,320	\$ -	\$ 3,974,320	\$ -	\$ 3,974,320
Rehab and work services	2,898,619	-	2,898,619	-	2,898,619
Residential services	5,890,192	-	5,890,192	-	5,890,192
Supported living and client health and wellness	14,603,574	-	14,603,574	-	14,603,574
HUD residential home fund	-	180,688	180,688	-	180,688
Total Program Expense	27,366,705	180,688	27,547,393	-	27,547,393
Management and general expense	2,872,139	-	2,872,139	-	2,872,139
Fundraising expense	404,643	-	404,643	-	404,643
Total Expenses	30,643,487	180,688	30,824,175	-	30,824,175
CHANGE IN NET ASSETS	12,219,506	48,598	12,268,104	257,429	12,525,533
NET ASSETS, BEGINNING OF YEAR	10,499,173	151,286	10,650,459	1,398,579	12,049,038
NET ASSETS, END OF YEAR	\$ 22,718,679	\$ 199,884	\$ 22,918,563	\$ 1,656,008	\$ 24,574,571

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



	Without Donor Restrictions		Total		
	General Fund	HUD Residential Home Fund	Without Donor Restrictions	With Donor Restrictions	Total
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 income	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



	Without Donor Restrictions		Total		
	General Fund	HUD Residential Home Fund	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES					
Program Expense:					
Community support	\$ 2,445,146	\$ -	\$ 2,445,146	\$ -	\$ 2,445,146
Rehab and work services	2,553,729	-	2,553,729	-	2,553,729
Residential services	3,956,019	-	3,956,019	-	3,956,019
Supported living and client health and wellness	10,912,509	-	10,912,509	-	10,912,509
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.

Statements of Cash Flows
Years Ended December 31, 2021 and 2020



	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,525,533	\$ 1,375,213
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided By Operating Activities:		
Depreciation	875,783	609,220
Net realized and unrealized gains on investments	(509,198)	(266,144)
Reinvested interest	(35,400)	(7,761)
Bad debt expense	6,000	9,000
Decrease in inventory reserve	-	(8,500)
Amortization of prepaid loan issuance costs	(976)	692
Amortization of discount on pledges receivable for long-term purposes	(149)	(12,239)
Contributions of investments	(293,809)	(14,109)
(Gain) loss on disposal of property and equipment	(109,463)	5,562
Excess of assets acquired over liabilities assumed for Passages, Inc. and RISE, Inc., respectively	(6,206,415)	(762,168)
(Increase) Decrease in Assets:		
Accounts receivable	(3,383,045)	79,482
Accounts receivable - related party	(514,760)	-
Pledges receivable	47,164	96,432
HUD tenant security deposits	(1)	(347)
Other deposits	-	(1,400)
Inventory	(58,810)	19,497
Prepaid expenses and other assets	117,581	(66,307)
Increase (Decrease) in Liabilities:		
Funds held on behalf of others	(90,321)	459,251
Accounts payable	92,250	(91,137)
Accounts payable - related party	58,034	-
Accrued salaries and benefits	(756,902)	588,421
Group home Medicaid liability	445	(23)
Deferred revenue	174,411	11,605
HUD tenant security deposits	<u>1</u>	<u>347</u>
Net Cash Provided By Operating Activities	1,937,953	2,024,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,430,288)	(491,161)
Proceeds from disposal of property and equipment	124,541	158,299
Purchase of investments	(2,263,536)	(644,888)
Proceeds from sale of investments	2,260,097	644,888
Cash acquired from the acquisitions	<u>1,778,912</u>	<u>102,658</u>
Net Cash Provided By (Used In) Investing Activities	469,726	(230,204)

(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, 2021 and 2020



	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in pledges receivable for long-term purposes	\$ 200,000	\$ 60,000
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 obligations	(110,856)	(70,635)
Repayments on long-term debt	<u>(173,185)</u>	<u>(96,914)</u>
Net Cash Used In Financing Activities	<u>(84,041)</u>	<u>(227,781)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	2,323,638	1,566,602
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>\$ 4,874,268</u>	<u>\$ 3,307,666</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 7,197,906</u></u>	<u><u>\$ 4,874,268</u></u>
AS PRESENTED ON THE ACCOMPANYING STATEMENTS OF FINANCIAL POSITION:		
Cash	\$ 6,755,411	\$ 4,300,968
Client checking - restricted	397,960	537,900
HUD cash reserve for replacements and residual receipts - restricted	<u>44,535</u>	<u>35,400</u>
TOTAL CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 7,197,906</u></u>	<u><u>\$ 4,874,268</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 40,357	\$ 25,645
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of equipment through capital leases	\$ 162,267	\$ 119,474
Purchase of property with long-term debt	-	145,000
In-kind donations of investments	293,809	14,109
Acquisition of the assets of Passages and RISE, Inc., respectively:		
Accounts receivable and other assets	\$ 482,100	\$ 124,725
Investments	1,219,452	-
Property and equipment	3,179,076	1,154,574
Current liabilities	(453,125)	(58,989)
Line of credit assumed	-	(112,243)
Long term debt assumed	<u>-</u>	<u>(448,557)</u>
Noncash contribution resulting from the acquisition of Passages, Inc. and RISE, Inc., respectively	<u><u>\$ 4,427,503</u></u>	<u><u>\$ 659,510</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, 2021



	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	\$ 2,441,477	\$ 1,435,445	\$ 3,643,642	\$10,377,786	\$ 49,625	\$17,947,975	\$ 797,809	\$ 258,585	\$19,004,369
Retirement plan	15,257	15,088	31,826	73,780	-	135,951	79,931	2,426	218,308
Group insurance	260,566	197,537	324,925	1,183,653	7,596	1,974,277	299,369	19,097	2,292,743
Staff development	5,110	50	43	5,104	-	10,307	27,754	46	38,107
Unemployment compensation	6,379	564	624	27,770	-	35,337	13,381	-	48,718
Workers' compensation insurance	23,510	13,448	60,937	170,971	432	269,298	12,183	197	281,678
Payroll taxes	<u>171,741</u>	<u>135,806</u>	<u>256,470</u>	<u>744,897</u>	<u>4,752</u>	<u>1,313,666</u>	<u>54,594</u>	<u>16,513</u>	<u>1,384,773</u>
Total salaries and related expenses	2,924,040	1,797,938	4,318,467	12,583,961	62,405	21,686,811	1,285,021	296,864	23,268,696
Audit and legal expense	7,469	4,773	54,309	30,328	-	96,879	94,341	533	191,753
Client wages	24,803	424,052	-	2,467	-	451,322	1,139	-	452,461
Community grants	122,646	-	-	-	-	122,646	-	-	122,646
Community training	18,746	1,431	6,881	9,732	-	36,790	1,338	-	38,128
Consultants	450	-	73,583	545,156	1,242	620,431	161,214	-	781,645
Cost of sales	-	181,799	-	-	-	181,799	-	-	181,799
Depreciation	205,616	99,941	132,826	127,803	23,840	590,026	269,327	16,430	875,783
Education and training	62,851	9,796	-	2,542	-	75,189	480	-	75,669
Electronic monitoring	-	-	-	44,016	-	44,016	-	-	44,016
Food	52,709	2,101	208,285	6,160	-	269,255	11,099	1,143	281,497
Fundraising expense	-	-	-	-	-	-	-	39,967	39,967
Household/small office equipment	19,946	7,160	87,198	19,095	1,580	134,979	95,076	-	230,055
Householder expense	-	-	-	254,751	-	254,751	-	-	254,751
Insurance	38,416	31,754	55,773	62,869	7,145	195,957	59,927	1,171	257,055
Interest	-	2,085	2,496	5,445	7,126	17,152	23,205	-	40,357

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, 2021



	<u>Community Support</u>	<u>Rehab and Work Services</u>	<u>Residential Services</u>	<u>Supported Living and Client Health and Wellness</u>	<u>HUD Residential Home Fund</u>	<u>Total Program Expense</u>	<u>Management and General Expense</u>	<u>Fundraising Expense</u>	<u>Total Expenses</u>
(Continued)									
Management fee	\$ -	\$ -	\$ -	\$ -	\$ 12,780	\$ 12,780	\$ -	\$ -	\$ 12,780
Membership dues	21,805	12,039	30,884	81,923	-	146,651	36,651	1,557	184,859
Operating expense	-	38,301	-	-	-	38,301	-	-	38,301
Other expense	13,274	19,685	10,388	27,781	-	71,128	33,381	4,016	108,525
Postage	1,941	27,544	2,989	8,911	-	41,385	2,507	163	44,055
Printing	-	-	-	-	-	-	264	-	264
Professional fees	62,180	35,978	100,066	287,635	1,800	487,659	124,776	23,664	636,099
Provider assessment	-	-	414,587	-	-	414,587	-	-	414,587
Public information	167	-	-	220	-	387	65,056	2,860	68,303
Rent	24,482	7,236	71,770	79,822	-	183,310	77,863	465	261,638
Repair and maintenance	82,550	54,979	69,626	88,610	30,266	326,031	159,887	2,805	488,723
Respite expense	-	-	-	33,259	-	33,259	-	-	33,259
Security	316	1,884	12	332	-	2,544	404	16	2,964
Staff recruitment	3,920	1,570	6,340	23,030	-	34,860	4,189	141	39,190
Subscriptions	175	463	5,872	13,439	-	19,949	7,386	-	27,335
Supplies	11,718	10,925	66,877	30,768	-	120,288	32,776	503	153,567
Technology	57,232	3,058	6,662	9,571	-	76,523	135,187	6,830	218,540
Telephone	39,778	4,866	35,612	63,660	6,840	150,756	62,280	3,138	216,174
Transportation	57,925	42,818	3,941	15,153	-	119,837	1,276	-	121,113
Travel	18,176	1,953	9,920	76,433	-	106,482	6,112	625	113,219
Tuition reimbursement	-	-	-	5,300	-	5,300	-	-	5,300
Utilities	60,359	51,592	78,268	48,897	25,664	264,780	74,399	1,752	340,931
Vehicle	40,630	20,898	36,560	14,505	-	112,593	45,578	-	158,171
TOTAL EXPENSES	\$ 3,974,320	\$ 2,898,619	\$ 5,890,192	\$14,603,574	\$ 180,688	\$27,547,393	\$ 2,872,139	\$ 404,643	\$30,824,175

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

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



	<u>Community Support</u>	<u>Rehab and Work Services</u>	<u>Residential Services</u>	<u>Supported Living and Client Health and Wellness</u>	<u>HUD Residential Home Fund</u>	<u>Total Program Expense</u>	<u>Management and General Expense</u>	<u>Fundraising Expense</u>	<u>Total Expenses</u>
(Continued)									
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
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
RLA expense	-	-	-	-	-	-	-	-	-
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	12,376	10,454	42,602	18,062	-	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	\$ 2,445,146	\$ 2,553,729	\$ 3,956,019	\$10,912,509	\$ 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.

***Notes to Financial Statements
December 31, 2021 and 2020***



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 Northeast 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, 2021 and 2020



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 \$2,267,515, \$1,031,979 and \$1,013,381 at December 31, 2021, 2020 and 2019, 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, 2021 and 2020, reserves for excess and obsolete inventory totaled \$4,723.

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, 2021 and 2020



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. At December 31, 2021 and 2020, there were no contributions that have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met.

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, 2021 and 2020



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, 2021 and 2020.

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 2018.

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, 2021 and 2020



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 statement of financial position 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.

Reclassification:

Certain amounts previously reported have been reclassified to conform to current year presentation.

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through June 22, 2022, the date the financial statements were available to be issued.

Note 2. Acquisition

On March 1, 2021, the Organization acquired the assets of Passages, Inc. ("Passages"). The accompanying financial statements include the results of Passages' operations from March 1, 2021 through the Organization's year end of December 31, 2021.

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:

	Passages	Rise
Cash	\$ 1,778,912	\$ 102,658
Accounts receivable	414,252	107,082
Prepaid expenses	67,848	17,643
Investments	1,219,452	-
Property and equipment	3,179,076	1,154,574
Current liabilities	(453,125)	(58,989)
Line of credit	-	(112,243)
Long-term debt	-	(448,557)
	<u>\$ 6,206,415</u>	<u>\$ 762,168</u>

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 2. Acquisition (Continued)

The Organization did not pay cash for the net assets of Passages and RISE, resulting in a contribution of \$6,206,415 and \$762,168 in the accompanying statements of activities during the years ended December 31, 2021 and 2020, respectively.

Accounts Receivable:

The purchases included the assumption of gross accounts receivable totaling \$414,252 and \$107,082 during the years ended December 31, 2021 and 2020, respectively. Substantially all of the receivables were collected by December 31, 2021 and 2020, respectively.

Acquisition-Related Expenses:

Included in general and administrative expenses in the statement of activities for the year ended December 31, 2021 and 2020, respectively, were charges totaling approximately \$10,700 and \$15,000 for advisory and legal costs in connection with acquisitions of Passages, Inc. and RISE, Inc., respectively.

Note 3. Pledges Receivable

Pledges receivable consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 210,412	\$ 257,576
Due in one to five years	<u>-</u>	<u>200,000</u>
	210,412	457,576
Less discount (at 0.06% and 0.10% for 2021 and 2020, respectively) to net present value	<u>817</u>	<u>966</u>
Net pledges receivable	<u>\$ 209,595</u>	<u>\$ 456,610</u>

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 4. Investments

Investments consist of the following at December 31, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 238,641	\$ 238,641	\$ 84,173	\$ 84,173
Mutual funds	1,659,476	1,867,870	718,194	811,161
Exchange-traded funds	891,760	1,102,795	411,349	530,736
Common stocks	564,813	613,557	559,552	861,881
Corporate bonds	570,451	585,515	373,121	410,999
	<u>\$ 3,925,141</u>	<u>\$ 4,408,378</u>	<u>\$ 2,146,389</u>	<u>\$ 2,698,950</u>

Investment income in the statements of activities is reported net of related investment expenses of \$15,144 and \$17,667 for the years ended December 31, 2021 and 2020, respectively.

Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2021:

	Estimated Useful Lives	General Fund	HUD Residential Home Fund	Total
Land		\$ 1,393,961	\$ 52,348	\$ 1,446,309
Land improvements	8 - 20 years	476,254	54,050	530,304
Leasehold improvements	25 years	21,773	-	21,773
Buildings	5 - 30 years	12,000,869	762,839	12,763,708
Vehicles	3 - 5 years	1,248,596	-	1,248,596
Computer equipment	3 - 5 years	871,590	-	871,590
Furniture & fixtures	3 - 20 years	767,333	79,096	846,429
Equipment	3 - 20 years	881,979	36,441	918,420
Capital projects in progress		<u>286,353</u>	<u>-</u>	<u>286,353</u>
		17,948,708	984,774	18,933,482
Less: Accumulated depreciation		<u>8,014,578</u>	<u>781,599</u>	<u>8,796,177</u>
		<u>\$ 9,934,130</u>	<u>\$ 203,175</u>	<u>\$ 10,137,305</u>

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 5. Property and Equipment (Continued)

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 in progress		107,535	-	107,535
		13,243,365	975,162	14,218,527
Less: Accumulated depreciation		7,204,228	757,758	7,961,986
		<u>\$ 6,039,137</u>	<u>\$ 217,404</u>	<u>\$ 6,256,541</u>

Depreciation expense for the years ended December 31, 2021 and 2020, was \$875,783 and \$609,220, respectively.

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 \$90,957 and \$74,625 at December 31, 2021 and 2020, 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 \$68,000 and \$55,594 at December 31, 2021 and 2020, respectively, for the benefit of the Organization for which it has retained variance power. The Community Foundation of Whitley County holds investment assets, with a value of \$449,440 and \$0 at December 31, 2021 and 2020, respectively, for the benefit of the Organization for which it has retained variance power. These investments are not recorded as assets of the Organization.

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



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 not restricted and are recorded as revenue without donor restrictions. The change in fair value is not restricted and 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 \$123,752 and \$114,381 at December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, the Organization received notification of trust administered by a third party trustee in which the Organization is the residual beneficiary. The Organization has recorded this as a beneficial interest, until the balance is paid out. 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 trust is \$326,167 and \$0 at December 31, 2021 and 2020, 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.
- 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.

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Notes to Financial Statements (Continued)
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Note 8. Fair Value Measurements (Continued)

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, 2021 and 2020.

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, 2021 and 2020.

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Notes to Financial Statements (Continued)
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Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 238,641	\$ -	\$ -	\$ 238,641
Mutual funds				
Bank loan	43,830	-	-	43,830
Diversified emerging markets	166,891	-	-	166,891
Fixed Income	652,874	-	-	652,874
Foreign large blend	95,109	-	-	95,109
Foreign large growth	100,218	-	-	100,218
Foreign small/mid growth	53,968	-	-	53,968
Foreign small/mid value	18,848	-	-	18,848
Intermediate term bond	173,941	-	-	173,941
Large cap growth	103,651	-	-	103,651
Large cap value	180,714	-	-	180,714
Mid-cap growth	103,807	-	-	103,807
Mid-cap value	71,917	-	-	71,917
Nontraditional bond	54,499	-	-	54,499
Small cap growth	18,191	-	-	18,191
Small cap value	29,412	-	-	29,412
Total mutual funds	1,867,870	-	-	1,867,870
Exchange-traded funds				
Inflation protected bond	62,662	-	-	62,662
Large blend	663,524	-	-	663,524
Large growth	214,441	-	-	214,441
Mid-cap growth	18,438	-	-	18,438
Mid-cap value	18,357	-	-	18,357
Preferred stock	10,170	-	-	10,170
Real estate	81,835	-	-	81,835
Small value	33,368	-	-	33,368
Total exchange-traded funds	1,102,795	-	-	1,102,795
Common stocks				
Consumer discretionary	66,664	-	-	66,664
Consumer staples	66,039	-	-	66,039
Energy	12,604	-	-	12,604
Financial	94,796	-	-	94,796
Healthcare	91,931	-	-	91,931
Industrial	62,251	-	-	62,251
Information technology	155,179	-	-	155,179
Materials	28,263	-	-	28,263
Real estate	9,826	-	-	9,826
Telecommunication services	22,902	-	-	22,902
Utilities	3,102	-	-	3,102

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
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Notes to Financial Statements (Continued)
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Assets at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Total common stocks	\$ 613,557	\$ -	\$ -	\$ 613,557

Note 8. Fair Value Measurements (Continued)

Assets at Fair Value as of December 31, 2021 (Continued)				
	Level 1	Level 2	Level 3	Total
Corporate bonds - rated	\$ 585,515	\$ -	\$ -	\$ 585,515
Beneficial interest in assets held by a community foundation	-	-	90,957	90,957
Beneficial interest in perpetual trust	-	-	449,919	449,919
Total assets at fair value	<u>\$ 4,408,378</u>	<u>\$ -</u>	<u>\$ 540,876</u>	<u>\$ 4,949,254</u>

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
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
Infrastructure	53,932	-	-	53,932
International large cap growth	<u>78,539</u>	<u>-</u>	<u>-</u>	<u>78,539</u>
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	<u>38,784</u>	<u>-</u>	<u>-</u>	<u>38,784</u>
Total exchange-traded funds	530,736	-	-	530,736

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

Notes to Financial Statements (Continued)
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Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2020(Continued)			
	Level 1	Level 2	Level 3	Total
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 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, 2020	\$ 67,587	\$ 98,907
Net realized and unrealized gains	5,989	15,474
Interest and dividends	1,377	-
Fees	(328)	-
Balance, December 31, 2020	74,625	114,381
Net realized and unrealized gains	13,977	57,972
Interest and dividends	2,811	-
Contributions	-	277,566
Fees	(456)	-
Balance, December 31, 2021	\$ 90,957	\$ 449,919

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Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 8. Fair Value Measurements (Continued)

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
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.	\$ 49,739	\$ 99,436
Mortgage note payable to a commercial bank in monthly installments of \$845 including interest at 3.50%, due November 2025, secured by real estate.	139,490	144,578
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. Subsequent to year end, the real estate was sold and the loan was paid off.	<u>284,563</u>	<u>405,536</u>
	473,792	649,550
Less: Unamortized loan issuance costs	<u>5,699</u>	<u>7,296</u>
	<u>\$ 468,093</u>	<u>\$ 642,254</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, 2021, and in the aggregate, are as follows:

2022	\$ 76,708
2023	27,931
2024	28,914
2025	<u>340,239</u>
	<u>\$ 473,792</u>

Interest expense for the years ended December 31, 2021 and 2020, was \$40,357 and \$25,645, respectively.

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Notes to Financial Statements (Continued)
December 31, 2021 and 2020



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, 2021). 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, 2022. There was no outstanding balance on the line at December 31, 2021 and 2020.

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:

Financial assets at year end:		
Cash and client checking - restricted	\$ 7,153,371	\$ 4,838,868
Accounts receivable, net of allowance	2,267,515	1,031,979
Accounts receivable - related party	514,760	-
Accounts receivable - other	2,555,761	-
Pledges receivable, net of unamortized discount	209,595	456,610
HUD reserve for replacements and residual receipts	44,535	35,400
Investments	4,408,378	2,698,950
Beneficial interest in assets held by third party	<u>540,876</u>	<u>189,006</u>
Total financial assets	17,694,791	9,250,813
Less: Financial assets not available to be used within one year:		
Cash - restricted	397,960	537,900
Pledges receivable not due within one year	-	200,000
HUD cash reserve for replacements and residual receipts - restricted	44,535	35,400
Beneficial interest in assets held by third party	448,857	96,987
Board designated	3,618,198	1,951,090
Restricted by donors with purpose restrictions	<u>1,656,008</u>	<u>1,398,579</u>
Total financial assets not available for general expenditures within one year	<u>6,165,558</u>	<u>4,219,956</u>
Total financial assets available for general expenditures within one year	<u>\$ 11,529,233</u>	<u>\$ 5,030,857</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.

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Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 11. Liquidity and Availability of Resources (Continued)

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.

Note 12. Net Assets

Net assets without donor restrictions includes \$3,618,198 and \$1,951,090 at December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Time and purpose restrictions:		
Programming	\$ 561,563	\$ 146,533
Endowment - unappropriated earnings	218,566	186,246
Assistive technology award program	7,000	12,950
Capital improvements	10,056	4,249
Sue Schmidt recreation program	230	230
Adopt-a-Family	225	-
Consulting	1,670	1,673
Time restriction - operating support	<u>200,000</u>	<u>400,000</u>
	999,310	751,881
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	146,000	146,000
Investment in perpetuity, the income of which is expendable to support client participation	<u>10,000</u>	<u>-</u>
	<u>656,698</u>	<u>646,698</u>
Total net assets with donor restrictions	<u>\$ 1,656,008</u>	<u>\$ 1,398,579</u>

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Notes to Financial Statements (Continued)
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Note 12. Net Assets (Continued)

Net assets were released from time and purpose restrictions during the years ended December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Time restrictions expired	\$ 200,000	\$ 260,000
Satisfaction of purchase requirements	198,193	6,480
Satisfaction of program requirements	<u>440,379</u>	<u>159,690</u>
	<u>\$ 838,572</u>	<u>\$ 426,170</u>

Note 13. State and Local Revenue

State and local revenue received during the years ended December 31, 2021 and 2020, was as follows:

	<u>2021</u>	<u>2020</u>
State of Indiana:		
Title XIX Medicaid	\$ 5,774,379	\$ 3,757,102
Medicaid day program	786,376	579,821
Medicaid waiver	15,677,158	11,750,050
Employment grants	6,026	16,684
DFC supervision	-	12,690
Caregiver support	-	1,954
Pre-employment transitions - State portion	177,104	115,822
Vocational rehab employment revenue	438,072	308,455
Parent and child connection	-	16,749
Total State Revenue	<u>22,859,115</u>	<u>16,559,327</u>
Local:		
Allen County Council	957,162	913,815
Dekalb County Commissioner	68,000	-
Steuben County Commissioner	40,000	-
Whitley County Assessor	<u>40,000</u>	<u>-</u>
Total Local Revenue	<u>1,105,162</u>	<u>913,815</u>
Total State and Local Revenue	<u>\$ 23,964,277</u>	<u>\$ 17,473,142</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.

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Notes to Financial Statements (Continued)
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Note 14. Endowment (Continued)

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:

- (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.

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Notes to Financial Statements (Continued)
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Note 14. Endowment (Continued)

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.

Endowment net asset composition by type of fund at December 31, 2021 and 2020, was:

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 783,245	\$ 783,245
Board designated endowment funds	<u>3,618,198</u>	<u>-</u>	<u>3,618,198</u>
Total endowment net assets	<u>\$ 3,618,198</u>	<u>\$ 783,245</u>	<u>\$ 4,401,443</u>
	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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Notes to Financial Statements (Continued)
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Note 14. Endowment (Continued)

Changes in endowment net assets for the years ended December 31, 2021 and 2020, were:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,951,090	\$ 740,925	\$ 2,692,015
Investment return:			
Interest and dividends	88,971	12,420	101,391
Realized gain	636,096	90,316	726,412
Unrealized loss	(262,026)	(40,370)	(302,396)
Fees	<u>(18,435)</u>	<u>(3,413)</u>	<u>(21,848)</u>
Total investment return	444,606	58,953	503,559
Contributions and grants	1,240,573	10,000	1,250,573
Appropriation for expenditure	<u>(18,071)</u>	<u>(26,633)</u>	<u>(44,704)</u>
Net grants (expenditures)	<u>1,222,502</u>	<u>(16,633)</u>	<u>1,205,869</u>
Endowment net assets, end of year	<u>\$ 3,618,198</u>	<u>\$ 783,245</u>	<u>\$ 4,401,443</u>
	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)
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Note 14. Endowment (Continued)

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

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions for Time		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	\$ 218,566	\$ 186,246
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	<u>564,679</u>	<u>554,679</u>
	<u>\$ 783,245</u>	<u>\$ 740,925</u>

Note 15. 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 \$10,740 including interest ranging from 2% to 4.5%.

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

	<u>2021</u>	<u>2020</u>
Capitalized leased vehicle liability	\$ 548,135	\$ 385,880
Less: Accumulated amortization	<u>244,191</u>	<u>140,031</u>
	<u>\$ 303,944</u>	<u>\$ 245,849</u>

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

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 15. Capital Lease (Continued)

Future minimum lease payments at December 31, 2021, are as follows:

2022	\$	99,944
2023		86,745
2024		72,403
2025		<u>9,698</u>
		268,790
Less amount representing interest		<u>11,556</u>
Present value of future minimum lease payments		257,234
Less: current portion		<u>90,949</u>
Noncurrent portion	\$	<u><u>166,285</u></u>

Note 16. Operating Leases

The Organization leases certain equipment, vehicles, facility space and apartments under operating leases, which expire in various years through 2026. Total rent expense was \$261,638 and \$199,055 for the years ended December 31, 2021 and 2020, 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, 2021 are as follows:

2022	\$	73,650
2023		65,280
2024		66,586
2025		43,171
2026		<u>25,845</u>
	\$	<u><u>274,532</u></u>

Note 17. Related Party Transactions

During 2021, the Organization entered into an intercompany support services agreement with Easterseals Northern Indiana ("ENI"). This agreement also names ENI the sole corporate member of the Organization. Accounts receivable from ENI was approximately \$514,760 at December 31, 2021. Management fees paid to ENI during the years ended December 31, 2021 was \$348,205, of which \$58,034 was included in accounts payable at December 31, 2021.

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



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, 2021 and 2020, 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 \$218,308 and \$166,269 for the years ended December 31, 2021 and 2020, respectively.

Note 19. Covid Relief

Small Business Administration – Paycheck Protection Program

The Organization received a Small Business Administration ("SBA") Paycheck Protection Program (PPP) loan for \$3,220,010 during the year ended December 31, 2021. The Organization formally received debt and interest forgiveness from the SBA and recognized the PPP proceeds as other income for the year ended December 31, 2021. Under the PPP program, the SBA has six years to audit borrowers for program eligibility and compliance from the date forgiveness is granted.

Employee Retention Credit

The Organization obtained the Employee Retention Credit ("ERC") for retaining employees as defined in the CARES Act. The Organization has concluded that the ERC program is in-substance a government grant and the Organization has substantially met the conditions of the grant based on current guidance. The Organization recognized \$2,555,761 of ERC as a conditional grant in other income for the year ended December 31, 2021.

Note 20. 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.

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

Notes to Financial Statements (Continued)
December 31, 2021 and 2020



Note 20. 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, 2021 and 2020, 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 \$85,146 and \$84,701 at December 31, 2021 and 2020, 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 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, 2021 and 2020, the total self-insured liability was \$17,769 and \$114,604, 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 COVID-19 outbreak and other current local, national and global events have disrupted supply chains and affected production, sales, and margins across a range of industries. The extent of the impact of these events on the Organization's operational and financial performance will depend on certain developments, including the duration of the events and impact on customers, employees and vendors all of which are uncertain and cannot be predicted. It is uncertain the extent to which these events may impact the Organization's financial position and results of operations.

**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, 2021

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	\$ 49,739
Section 8, Housing Assistance Payment Program	14.195	N/A	143,584
Pass-through from State of Indiana Office of Community and Rural Affairs: Community Development Block Grant	14.228	N/A	113,769
U.S. Department of Health and Human Services: COVID-19 Provider Relief Fund	93.498	N/A	377,350
Pass-through from Indiana Family and Social Services Administration: Block Grants for Community Health	93.958	N/A	126,097
U.S. Department of Agriculture: Pass-through from Indiana Department of Education: Child Care and Adult Care Food Program	10.558	(08) 1020080	45,834
National Endowment for the Arts	45.024	Arts Midwest	<u>2,738</u>
			<u>\$ 859,111</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, 2021

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, 2021. 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, 2021



	ASSETS	
	CURRENT ASSETS	
1120	Cash - operations	\$ 6,329
1100T	Total Current Assets	6,329
	RESTRICTED DEPOSITS	
1191	Tenant/patient deposits held in trust	4,819
	FUNDED RESERVES	
1320	Replacement reserve	36,668
1340	Residual receipts reserve	7,867
1300T	Total Deposits	44,535
	PROPERTY, PLANT AND EQUIPMENT	
1410	Land	106,398
1420	Buildings	762,839
1450	Furniture for project/tenant use	79,096
1470	Maintenance equipment	36,441
1400T	Total Property, Plant and Equipment	984,774
1495	LESS: Accumulated depreciation	781,599
1400N	NET PROPERTY, PLANT AND EQUIPMENT	203,175
1000T	TOTAL ASSETS	\$ 258,858
	LIABILITIES AND NET ASSETS	
	CURRENT LIABILITIES	
2110	Accounts payable - operations	\$ 4,416
2170	Mortgage payable - first mortgage (short-term)	49,739
2122T	Total Current Liabilities	54,155
	LONG-TERM LIABILITIES	
2191	Tenant/patient deposits held in trust (contra)	4,819
2320	Mortgage payable - first mortgage	
2300T	Total Long-Term Liabilities	4,819
2000T	TOTAL LIABILITIES	58,974
	NET ASSETS	
3131	Unrestricted	199,884
3130	Total Net Assets	199,884
2033T	TOTAL LIABILITIES AND NET ASSETS	\$ 258,858

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, 2021



	REVENUE	
	RENTAL	
5120	Tenant assistance payments	\$ 143,584
5190	Miscellaneous rent revenue (Medicaid)	<u>85,692</u>
5100T	Total Rent Revenue	229,276
5200T	LESS: Vacancies	
5152N	NET RENTAL REVENUE	229,276
5900T	TOTAL OTHER REVENUE	<u>10</u>
5000T	TOTAL REVENUE	229,286
	EXPENSES	
	ADMINISTRATIVE EXPENSES	
6310	Office salaries	17,865
6330	Manager or superintendent salaries	10,918
6390	Miscellaneous administrative expenses	<u>15,822</u>
6263T	Total Administrative Expenses	44,605
	UTILITIES EXPENSES	
6450	Electricity	12,274
6451	Water	9,315
6452	Gas	<u>4,075</u>
6400T	Total Utilities Expenses	25,664
	OPERATING AND MAINTENANCE EXPENSES	
6510	Payroll	20,842
6590	Miscellaneous operating and maintenance expense	<u>45,831</u>
6500T	Total Operating and Maintenance Expenses	66,673
	TAXES AND INSURANCE	
6711	Payroll taxes (project's share)	4,752
6722	Workers' compensation	432
6723	Health insurance and other employee benefits	<u>7,596</u>
6700T	Total Taxes and Insurance	12,780
	FINANCIAL EXPENSES	
6820	Interest on mortgage payable	<u>7,126</u>
6800T	Total Financial Expenses	<u>7,126</u>
6000T	TOTAL COST OF OPERATIONS BEFORE DEPRECIATION	<u>156,848</u>
5060T	PROFIT BEFORE DEPRECIATION	72,438
6600	Depreciation expense	<u>23,840</u>
5060N	NET PROFIT	<u><u>\$ 48,598</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, 2021



CASH

Cash - operations	\$	6,329
Tenant security deposits		4,819
Tenant subsidy vouchers due for period covered by financial statements		<u>-</u>
Total Cash		11,148

CURRENT OBLIGATIONS

Accounts payable - 30 days		4,416
Accrued mortgage interest payable		-
Tenant security deposits liability		<u>4,819</u>
Total Current Obligations		<u>9,235</u>

SURPLUS CASH

\$ 1,913

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, 2021



	Beginning Balance January 1, 2021	Additions	Disposals	Ending Balance December 31, 2021
Land	\$ 52,348	\$ -	\$ -	\$ 52,348
Land improvements	54,050	-	-	54,050
Buildings	762,839	-	-	762,839
Furniture for project/tenant use	77,668	1,428	-	79,096
Maintenance equipment	28,257	8,184	-	36,441
Motor vehicles	-	-	-	-
TOTAL COST	975,162	9,612	-	984,774
Accumulated depreciation	<u>757,758</u>	<u>23,840</u>	-	<u>781,599</u>
NET BOOK VALUE	<u>\$ 217,404</u>	<u>\$ (14,228)</u>	<u>\$ -</u>	<u>\$ 203,175</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, 2021



BALANCE, January 1, 2021	\$ 27,534
Monthly deposits	9,125
Interest earned	9
Authorized withdrawals	<u>-</u>
BALANCE, December 31, 2021	\$ <u><u>36,668</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, 2021



BALANCE, January 1, 2021	\$	7,866
Monthly deposits		-
Interest earned		1
Authorized withdrawals		<u>-</u>
BALANCE, December 31, 2021	\$	<u><u>7,867</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, 2021, 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 June 22, 2022.

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) as a basis for designing 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.

Report on 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*.



Certified Public Accountants • Business Consultants

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' in a cursive script.

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
June 22, 2022



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

Opinion

We have audited The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. 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 with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing and audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001, to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
June 22, 2022

**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, 2021

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

93.498

COVID-19 Provider 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 2021.

(Continued)

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



Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2021

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2021-001:

Condition: There were no internal controls over the reporting related to Provider Relief Fund, CDFA 93.498.

Criteria: Internal controls should be in place that provide reasonable assurance that revenues reported are complete and accurate.

Cause: This is the first compliance period the Organization has had to report on CDFA 93.498. The Organization did not implement any controls surrounding the preparation and submission of the reporting.

Effect: The revenues reported for 2021 were incomplete.

Recommendation: The Organization should develop a system to ensure that all compliance reports are reviewed for accuracy and completeness by another individual to detect any potential errors.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

SUMMARY SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

There were no financial statement audit findings.

There were no major federal award findings or questioned costs.



Corrective Action Plan

Finding: 2021-0001

Contact Person: Leanne Ford

Contact Phone Number: 574-527-6721

Views of Responsible Official: Management agrees with the finding and is taking steps to correct.

Description of Corrective Action Plan: The Organization will develop a system to ensure that the Provider Relief Reporting is reviewed prior to submission on the reporting portal and the review will be documented appropriately.

Anticipated Completion Date: Upon completion of the next round of PRF reporting

6/21/2022

Leanne Ford

Chief Financial Officer