Financial Statements

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

December 31, 2022 and 2021

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

Financial Statements
December 31, 2022 and 2021

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Baden Gage & Schroeder LLC

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

Report on the Audit of the Financial Statements

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, 2022 and 2021, 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, 2022 and 2021, 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' Responsibilities 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 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 41 - 46 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 April 26, 2023, 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.

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
April 26, 2023

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

Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 5,034,883	$ 6,705,730
Cash - restricted	525,420	492,176
Accounts receivable, net of allowance for doubtful accounts of $15,815 in 2022 and $9,976 in 2021	2,279,647	2,267,515
Accounts receivable - related party	1,771,001	514,760
Accounts receivable - other	2,555,761	2,555,761
Pledges and grants receivable, net	855,913	209,595
Other deposits	4,957	12,173
Inventory	50,746	66,435
Prepaid expenses and other assets	188,283	171,487
Investments	3,889,395	4,408,378
Net property and equipment	9,174,999	9,833,362
Right of use assets – finance leases (capital lease in 2021)	293,485	303,943
Right of use assets - operating leases	199,837	-
Beneficial interest in assets held by a community foundation	78,032	90,957
Beneficial interest in perpetual trust	102,627	449,919
TOTAL ASSETS	$ 27,004,986	$ 28,082,191
LIABILITIES AND NET ASSETS		
LIABILITIES		
Funds held on behalf of others	$ 472,898	$ 447,579
Accounts payable	431,574	287,192
Accounts payable - related party	895,559	58,034
Accrued compensation and benefits	1,015,909	1,558,711
Group home Medicaid liability	85,146	85,146
Finance lease liabilities (capital lease in 2021)	274,055	257,234
Operating lease liabilities	201,790	-
Deferred revenue	136,574	345,631
Note payable, net	300,986	468,093
Total Liabilities	3,814,491	3,507,620
NET ASSETS		
Net assets without donor restrictions	21,535,254	23,304,387
Net assets with donor restrictions	1,655,241	1,270,184
Total Net Assets	23,190,495	24,574,571
TOTAL LIABILITIES AND NET ASSETS	$ 27,004,986	$ 28,082,191

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
SUPPORT AND REVENUE				
Group home	$ 8,261,148	$ -	$ 8,261,148	$ 7,127,875
Medicaid waiver	17,217,112	-	17,217,112	15,677,158
Other governmental units	2,710,133	-	2,710,133	2,426,570
Program service fees	371,500	-	371,500	195,358
Production income	1,126,836	-	1,126,836	1,359,991
Grants	2,218,422	514,000	2,732,422	2,125,864
Contributions	265,381	377,717	643,098	646,425
Other	1,516,226	-	1,516,226	6,403,003
HUD subsidy	111,529	-	111,529	143,584
Title XIX Medicaid	90,909	-	90,909	85,692
Special events	410,746	-	410,746	276,933
Investment interest and dividend income	65,232	10,428	75,660	62,180
Realized and unrealized gain (loss) on investments	(732,908)	(95,341)	(828,249)	509,198
Gain (loss) on sale of property and equipment	(17,552)	-	(17,552)	109,463
Bad debt expense	(35,364)	-	(35,364)	(6,000)
Excess assets acquired over consideration paid	-	-	-	6,206,414
Net assets released from donor restrictions	421,747	(421,747)	-	-
TOTAL SUPPORT AND REVENUE	34,001,097	385,057	34,386,154	43,349,708
EXPENSES				
Program expense	31,904,931	-	31,904,931	27,547,393
Management and general expense	3,480,486	-	3,480,486	2,872,139
Fundraising expense	384,813	-	384,813	404,643
TOTAL EXPENSES	35,770,230	-	35,770,230	30,824,175
CHANGE IN NET ASSETS	(1,769,133)	385,057	(1,384,076)	12,525,533
NET ASSETS, BEGINNING OF YEAR	23,304,387	1,270,184	24,574,571	12,049,038
NET ASSETS, END OF YEAR	$ 21,535,254	$ 1,655,241	$ 23,190,495	$ 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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Group home	$ 7,127,875	$ -	$ 7,127,875
Medicaid waiver	15,677,158	-	15,677,158
Other governmental units	2,426,570	-	2,426,570
Program service fees	195,358	-	195,358
Production income	1,359,991	-	1,359,991
Grants	1,658,214	467,650	2,125,864
Contributions	636,425	10,000	646,425
Other	6,403,003	-	6,403,003
HUD subsidy	143,584	-	143,584
Title XIX Medicaid	85,692	-	85,692
Special events	276,933	-	276,933
Investment interest and dividend income	49,760	12,420	62,180
Realized and unrealized gain on investments	509,198	-	509,198
Gain on sale of property and equipment	21,023	88,440	109,463
Bad debt expense	(6,000)	-	(6,000)
Excess assets acquired over consideration paid	6,206,414	-	6,206,414
Net assets released from donor restriction	706,905	(706,905)	-
TOTAL SUPPORT AND REVENUE	43,478,103	(128,395)	43,349,708
EXPENSES			
Program expense	27,547,393	-	27,547,393
Management and general expense	2,872,139	-	2,872,139
Fundraising expense	404,643	-	404,643
TOTAL EXPENSES	30,824,175	-	30,824,175
CHANGE IN NET ASSETS	12,653,928	(128,395)	12,525,533
NET ASSETS, BEGINNING OF YEAR	10,650,459	1,398,579	12,049,038
NET ASSETS, END OF YEAR, as previously stated	22,918,563	1,656,008	24,574,571
PRIOR PERIOD RECLASSIFICATION, see Note 13	385,824	(385,824)	-
NET ASSETS, END OF YEAR, as restated	$ 23,304,387	$ 1,270,184	$ 24,574,571

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,384,076)	$ 12,525,533
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation and amortization	972,413	875,783
Net realized and unrealized (gains) losses on investments	828,249	(509,198)
Distributed (reinvested) interest	8,941	(35,400)
Bad debt expense	35,364	6,000
Amortization of loan issuance costs	1,486	(976)
Discount on (amortization of discount on) long-term pledges receivable	78,830	(149)
Contributions of investments	-	(293,809)
(Gain) loss on disposal of property and equipment	17,552	(109,463)
Excess of assets acquired over liabilities assumed for Passages, Inc.	-	(6,206,414)
(Increase) Decrease in Assets:		
Accounts receivable	(47,496)	(3,383,045)
Accounts receivable - related party	(1,256,241)	(514,760)
Pledges and grants receivable	(725,148)	247,164
HUD tenant security deposits	-	(1)
Other deposits	7,216	-
Inventory	15,689	(58,810)
Prepaid expenses and other assets	(16,796)	117,581
Increase (Decrease) in Liabilities:		
Funds held on behalf of others	25,319	(90,321)
Accounts payable	144,382	92,250
Accounts payable - related party	837,525	58,034
Accrued salaries and benefits	(542,798)	(756,902)
Group home Medicaid liability	-	445
Deferred revenue	(209,057)	174,411
Net Cash Provided By (Used In) Operating Activities	(1,208,646)	2,137,953
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,123,508)	(1,430,288)
Proceeds from disposal of property and equipment	930,875	124,541
Purchase of investments	(1,152,393)	(2,263,536)
Proceeds from sale of investments	1,194,403	2,260,097
Cash acquired from the acquisition	-	1,778,912
Net Cash Provided By (Used In) Investing Activities	(150,623)	469,726

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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, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment for loan issuance costs	$ (1,292)	$ -
Proceeds from issuance of long-term debt	174,400	-
Payments on finance lease (capital lease in 2021) obligations	(109,740)	(110,856)
Repayments on long-term debt	(341,702)	(173,185)
Net Cash Used In Financing Activities	(278,334)	(284,041)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(1,637,603)	2,323,638
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	$ 7,197,906	$ 4,874,268
CASH AND RESTRICTED CASH, END OF YEAR	$ 5,560,303	$ 7,197,906
AS PRESENTED ON THE ACCOMPANYING STATEMENTS OF FINANCIAL POSITION:		
Cash	$ 5,034,883	$ 6,705,730
Cash - restricted	525,420	492,176
TOTAL CASH AND RESTRICTED CASH, END OF YEAR	$ 5,560,303	$ 7,197,906
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 23,266	$ 40,357
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	117,681	-
Operating cash flows from finance leases	7,809	-
Financing cash flows from finance leases	109,740	-
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Purchase of equipment through capital leases	$ -	$ 162,267
Lease assets obtained in exchange for lease obligations:		
Operating leases	316,617	-
Finance leases	126,561	-
In-kind donations of investments	-	293,809
Acquisition of the assets of Passages:		
Accounts receivable and other assets	$ -	$ 482,100
Investments	-	1,219,452
Property and equipment	-	3,179,076
Current liabilities	-	(453,125)
Noncash contribution resulting from the acquisition of Passages, Inc.	$ -	$ 4,427,503

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, 2022

	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 2022	Total Expenses 2021
Salaries	$ 2,680,439	$ 1,553,465	$ 4,201,986	$ 11,873,569	$ 49,500	$ 20,358,959	$ 1,001,522	$ 178,484	$ 21,538,965	$ 19,004,369
Retirement plan	13,394	11,570	39,699	79,159	-	143,822	82,859	2,156	228,837	218,308
Group insurance	311,908	218,475	429,973	1,373,914	7,596	2,341,866	339,087	11,401	2,692,354	2,292,743
Staff development	2,328	298	149	1,908	-	4,683	77,659	35	82,377	38,107
Unemployment compensation	1,161	5,012	7,021	3,436	-	16,630	8,935	-	25,565	48,718
Workers' compensation insurance	28,586	15,001	64,279	163,258	432	271,556	4,602	32	276,190	281,678
Payroll taxes	202,277	138,941	296,687	844,414	4,752	1,487,071	137,632	11,402	1,636,105	1,384,773
Total salaries and related expenses	3,240,093	1,942,762	5,039,794	14,339,658	62,280	24,624,587	1,652,296	203,510	26,480,393	23,268,696
Audit and legal	6,413	4,316	85,364	30,327	-	126,420	38,620	575	165,615	191,753
Client wages	111,482	421,424	-	2,311	-	535,217	1,107	-	536,324	452,461
Community grants	183,518	-	-	-	-	183,518	-	-	183,518	122,646
Community training	29,278	5,080	18,035	21,118	-	73,511	3,074	36,651	113,236	38,128
Consultants	429	581	67,085	608,454	1,024	677,573	234,989	-	912,562	781,645
Cost of sales	-	246,616	-	-	-	246,616	-	-	246,616	181,799
Depreciation and amortization	255,735	102,751	149,236	122,065	23,827	653,614	303,996	14,803	972,413	875,783
Education and training	19,048	6,471	1,582	(748)	-	26,353	16	-	26,369	75,669
Electronic monitoring	-	-	-	50,231	-	50,231	-	-	50,231	44,016
Food	73,066	1,936	231,410	8,387	-	314,799	23,284	753	338,836	281,497
Household/small office equipment	17,833	13,860	82,947	11,914	14	126,568	48,357	234	175,159	230,055
Householder expense	-	-	-	251,282	-	251,282	-	-	251,282	254,751
Insurance	39,631	32,789	51,073	100,767	7,145	231,405	38,023	1,910	271,338	257,055
Interest	-	1,324	6,178	5,125	2,349	14,976	8,290	-	23,266	40,357
Management fee	-	-	-	-	12,780	12,780	-	-	12,780	12,780
Membership dues	28,629	15,409	45,855	124,958	-	214,851	10,915	2,349	228,115	184,859

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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, 2022

	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 2022	Total Expenses 2021
Operating expense	$ -	$ 48,241	$ -	$ -	$ -	$ 48,241	$ -	$ -	$ 48,241	$ 38,301
Other expense	16,313	15,248	13,919	17,619	-	63,099	29,203	7,994	100,296	108,525
Postage	1,945	13,570	3,128	9,374	-	28,017	1,941	178	30,136	44,055
Printing	-	1,375	-	-	-	1,375	-	-	1,375	264
Professional fees	111,355	65,912	177,852	534,398	1,800	891,317	221,585	10,265	1,123,167	636,099
Provider assessment	-	-	534,189	-	-	534,189	-	-	534,189	414,587
Public information	1,500	-	-	93	-	1,593	62,352	2,696	66,641	68,303
Lease	29,660	24,594	75,690	94,795	-	224,739	27,656	503	252,898	261,638
Repair and maintenance	113,023	89,119	112,580	135,875	25,270	475,867	190,015	3,015	668,897	488,723
Respite expense	-	-	-	23,100	-	23,100	-	-	23,100	33,259
Security	177	2,025	6	109	-	2,317	508	9	2,834	2,964
Staff recruitment	7,972	2,007	7,257	20,407	-	37,643	72,140	71	109,854	39,190
Subscriptions	-	314	7,374	15,893	-	23,581	25	-	23,606	27,335
Supplies	31,016	14,644	58,075	29,690	-	133,425	46,485	87,078	266,988	193,534
Technology	8,955	151	2,465	2,101	-	13,672	266,602	7,687	287,961	218,540
Telephone	68,627	3,453	34,275	66,086	5,232	177,673	42,393	2,268	222,334	216,174
Transportation	63,903	58,361	13,055	26,227	-	161,546	3,048	-	164,594	121,113
Travel	36,516	6,469	15,673	126,367	-	185,025	14,826	354	200,205	113,219
Tuition reimbursement	-	-	-	3,265	-	3,265	1,400	-	4,665	5,300
Utilities	76,247	58,190	92,446	56,819	24,787	308,489	88,742	1,910	399,141	340,931
Vehicle	76,786	22,203	72,016	31,452	-	202,457	48,598	-	251,055	158,171
TOTAL EXPENSES	$ 4,649,150	$ 3,221,195	$ 6,998,559	$ 16,869,519	$ 166,508	$ 31,904,931	$ 3,480,486	$ 384,813	$ 35,770,230	$ 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, 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	171,741	135,806	256,470	744,897	4,752	1,313,666	54,594	16,513	1,384,773
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	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 and amortization	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
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

(Continued)

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

Statement of Functional Expenses (Continued)
Year Ended December 31, 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
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
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
RLA expense	-	-	-	-	-	-	-	-	-
Lease	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	40,470	193,534
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.

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 10 for more information.

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 $4,050,648, $2,782,275 and $1,031,979 at December 31, 2022, 2021 and 2020, 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, 2022 and 2021, reserves for excess and obsolete inventory totaled $4,723.

Investments:

Investments in marketable securities are carried at fair value. Investment return 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.

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

Leases:

The Organization leases certain buildings, equipment, and vehicles. The determination of whether an arrangement is a lease is made at the inception of each contract. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Management has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

Right-of-use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Since most of the Organization's leases do not provide an implicit rate, the Organization has elected the practical expedient to use the risk free rate at lease commencement for its leases.

Lease ROU assets include any upfront lease payments made and exclude any lease incentives. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. Lease expense for finance lease payments is recognized on a straight-line basis over the useful life of the asset and is included in depreciation and amortization expense. The interest associated with finance lease obligations is included in interest expense. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

Certain building lease agreements are variable payments based on occupancy, which is not determinable at lease commencement and are not included in the measurement of the lease asset and liabilities. Variable payments are expensed during the period incurred. Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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, 2022 and 2021, 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.

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

Revenue Recognition (Continued):

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.

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.

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

Income Taxes (Continued):

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, 2022 and 2021.

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 2019.

Credit Risk and Concentrations:

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

Recently Issued Accounting Standards:

Adopted Pronouncements:

In 2022, the Organization adopted Accounting Standard Update (“ASU") 2016-02, *Leases* (Topic 842), using the modified retrospective approach, which permits entities to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption without adjusting the comparative periods prior to adoption. The new lease guidance requires all leases to be recognized on the statement of financial position as right-of-use assets and lease liabilities for the rights and obligations created by lease arrangements with terms greater than 12 months. Expenses are recognized in the statements of activities in a manner similar to previous accounting guidance.

In addition, the Organization elected the package of practical expedients permitted under the transition guidance, which among other things, allowed it to carry forward the historical lease classification and not reassess initial direct costs for any existing leases.

The adoption of the new standard resulted in the recognition of operating lease right-of-use assets and operating lease obligations on January 1, 2022 of $316,617. The adoption of the new standard did not materially impact the Organization's capital leases, except to separate the assets from property and equipment, and change the reference from capital leases to finance leases. This standard did not materially impact Organization's net assets and change in net assets and had no impact on cash flows.

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

Recently Issued Accounting Standards (Continued):

Pronouncements Currently Under Evaluation:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The standard changes from an incurred loss approach of recognizing estimated credit losses (which delays recognition until a loss is probable or has been incurred) to an expected loss approach (requiring immediate recognition of estimated credit losses that are expected to occur over the life of the financial asset). The Organization would be expected to measure all expected credit losses for financial assets, including trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The anticipated result of implementation of this standard is earlier recognition of credit losses. The standard will take effect for nonpublic companies for annual reporting periods beginning after December 15, 2022, and interim and annual reporting periods thereafter. 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 April 26, 2023, 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 beginning on March 1, 2021.

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

Cash	$	1,778,912
Accounts receivable		414,252
Prepaid expenses		67,848
Investments		1,219,452
Property and equipment		3,179,076
Current liabilities		(453,125)
	$	6,206,415

Note 2. Acquisition (Continued)

The Organization did not pay cash for the net assets of Passages, resulting in a contribution of $6,206,415 in the accompanying statements of activities during the year ended December 31, 2021.

Accounts Receivable:

The purchases included the assumption of gross accounts receivable totaling $414,252 during the year ended December 31, 2021. Substantially all of the receivables were collected by December 31, 2021.

Acquisition-Related Expenses:

Included in management and general expenses in the statement of activities for the year ended December 31, 2021, were charges totaling approximately $10,700 for advisory and legal costs in connection with acquisition of Passages, Inc.

Note 3. Pledges and Grants Receivable

Pledges and grants receivable consist of the following at December 31, 2022 and 2021:

	2022	**2021**
Due within one year	$ 302,515	$ 210,412
Due in one to five years	637,717	-
	940,232	210,412
Less discount (at 4.01% and 0.06% for 2022 and 2021, respectively) to net present value	79,647	817
Less allowance for uncollectible pledges	4,672	-
Net pledges receivable	$ 855,913	$ 209,595

Note 4. Investments

Investments consist of the following at December 31, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	$ 307,470	$ 307,470	$ 238,641	$ 238,641
Mutual funds	2,002,686	1,849,029	1,659,476	1,867,870
Exchange-traded funds	763,345	791,559	891,760	1,102,795
Common stocks	620,708	570,123	564,813	613,557
Corporate bonds	395,383	371,214	570,451	585,515
	$ 4,089,592	$ 3,889,395	$ 3,925,141	$ 4,408,378

Investment income in the statements of activities is reported net of related investment expenses of $24,456 and $28,806 for the years ended December 31, 2022 and 2021, respectively.

Note 5. Property and Equipment

Property and equipment consists of the following at December 31, 2022:

	Estimated Useful Lives	General Fund	HUD Residential Home Fund	Total
Land		$ 1,185,561	$ 52,348	$ 1,237,909
Land improvements	8 - 20 years	674,870	54,050	728,920
Leasehold improvements	25 years	21,773	-	21,773
Buildings	5 - 30 years	11,991,467	771,335	12,762,802
Vehicles	3 - 5 years	712,731	-	712,731
Computer equipment	3 - 5 years	1,056,845	-	1,056,845
Furniture & fixtures	3 - 20 years	801,859	79,096	880,955
Equipment	3 - 20 years	973,293	38,458	1,011,751
Capital projects in progress		95,150	-	95,150
		17,513,549	995,287	18,508,836
Less: Accumulated depreciation		8,528,411	805,426	9,333,837
		$ 8,985,138	$ 189,861	$ 9,174,999

Note 5. Property and Equipment (Continued)

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	700,461	-	700,461
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		286,353	-	286,353
		17,400,573	984,774	18,385,347
Less: Accumulated depreciation		7,770,386	781,599	8,551,985
		$ 9,630,187	$ 203,175	$ 9,833,362

Depreciation expense for the years ended December 31, 2022 and 2021, was $972,413 and $875,783, respectively.

Note 6. Leases

The following is a summary of the lease expense:

	2022
Operating lease costs (included in operating expenses):	
Operating lease expense	$ 119,634
Short-term lease cost	110,097
Variable lease payments	12,572
	$ 242,303
Finance lease costs:	
Amortization of lease assets included in depreciation and amortization	$ 114,825
Interest on lease liabilities included in interest expense	7,809
	$ 122,634

Total lease expense was $261,638 for the year ended December 31, 2021.

Note 6. Leases (Continued)

The following is a summary of the maturities of lease liabilities:

	Operating	Finance	Total
2023	$ 69,837	$ 119,472	$ 189,309
2024	66,885	104,764	171,649
2025	43,171	38,231	81,402
2026	25,847	21,405	47,252
Total lease payments	205,740	283,872	489,612
Less: interest	(3,950)	(9,817)	(13,767)
Present value of lease liabilities	$ 201,790	$ 274,055	$ 475,845

The following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	
Operating leases	3.13 years
Finance leases	2.60 years
Weighted Average Discount Rate	
Operating leases	1.22 %
Finance leases	2.86 %

The Organization adopted ASU 2016-02, *Leases*, using the modified retrospective approach. Under this approach, the Organization must also present the certain disclosures and the minimum required lease payments under operating leases that were in effect as of the prior year end (December 31, 2021) as follows:

2022	$ 73,650
2023	65,280
2024	66,586
2025	43,171
2026	25,845
	$ 274,532

Future minimum lease payments under capital leases at December 31, 2021, were as follows:

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

Note 7. 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 $78,032 and $90,957 at December 31, 2022 and 2021, 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 $58,428 and $68,000 at December 31, 2022 and 2021, 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 $362,899 and $449,440 at December 31, 2022 and 2021, respectively, for the benefit of the Organization for which it has retained variance power. These investments are not recorded as assets of the Organization.

Note 8. 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 $102,627 and $123,752 at December 31, 2022 and 2021, 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 $0 and $326,167 at December 31, 2022 and 2021, respectively. During 2022, this was moved to an investment account owned by the Organization and is now classified as investments in the statement of financial position.

Note 9. 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.

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, 2022 and 2021.

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.

Note 9. Fair Value Measurements (Continued)

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, 2022 and 2021.

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 307,470	$ -	$ -	$ 307,470
Mutual funds				
Bank loan	62,336	-	-	62,336
Diversified emerging markets	117,078	-	-	117,078
Fixed income	423,255	-	-	423,255
Foreign large blend	49,968	-	-	49,968
Foreign large growth	57,419	-	-	57,419
Foreign large value	28,159	-	-	28,159
Foreign small/mid blend	20,063	-	-	20,063
Foreign small/mid growth	11,240	-	-	11,240
Foreign small/mid value	15,820	-	-	15,820
Intermediate term bond	152,523	-	-	152,523
Intermediate core bond	39,130	-	-	39,130
Intermediate core-plus bond	121,998	-	-	121,998
Intermediate government	18,573	-	-	18,573
Large cap blend	45,762	-	-	45,762
Large cap growth	79,418	-	-	79,418
Large cap value	202,642	-	-	202,642
Mid-cap blend	31,547	-	-	31,547
Mid-cap growth	53,806	-	-	53,806
Mid-cap value	68,162	-	-	68,162
Nontraditional bond	80,782	-	-	80,782
Preferred stock	20,338	-	-	20,338
Short-term bond	57,506	-	-	57,506
Small cap blend	20,132	-	-	20,132
Small cap growth	36,285	-	-	36,285
Small cap value	35,087	-	-	35,087
Total mutual funds	1,849,029	-	-	1,849,029

Note 9. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Exchange-traded funds				
Diversified emerging markets	$ 18,950	$ -	$ -	$ 18,950
Foreign large blend	6,564	-	-	6,564
Large blend	531,142	-	-	531,142
Large growth	150,733	-	-	150,733
Real estate	58,477	-	-	58,477
Value	25,693	-	-	25,693
Total exchange-traded funds	791,559	-	-	791,559
Common stocks				
Consumer discretionary	56,458	-	-	56,458
Consumer staples	60,185	-	-	60,185
Energy	16,176	-	-	16,176
Financial	89,789	-	-	89,789
Healthcare	90,441	-	-	90,441
Industrial	54,335	-	-	54,335
Information technology	139,162	-	-	139,162
Materials	30,931	-	-	30,931
Real estate	6,658	-	-	6,658
Telecommunication services	14,318	-	-	14,318
Utilities	11,670	-	-	11,670
Total common stocks	570,123	-	-	570,123
Corporate bonds - rated	371,214	-	-	371,214
Beneficial interest in assets held by a community foundation	-	-	78,032	78,032
Beneficial interest in perpetual trust	-	-	102,627	102,627
Total assets at fair value	$ 3,889,395	$ -	$ 180,659	$ 4,070,054

Note 9. 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 cap value	33,368	-	-	33,368

Note 9. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
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
Total common stocks	613,557	-	-	613,557
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	$ 4,408,378	$ -	$ 540,876	$ 4,949,254

Note 9. Fair Value Measurements (Continued)

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

	Beneficial Interest in: Assets Held by a Community Foundation	Beneficial Interest in: Perpetual Trust
Balance, January 1, 2021	$ 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
Net realized and unrealized losses	(11,903)	(21,125)
Interest and dividends	2,420	-
Distributions	(2,988)	(326,167)
Fees	(454)	-
Balance, December 31, 2022	$ 78,032	$ 102,627

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

Note 10. Long-Term Debt

Long-term debt consists of the following at December 31, 2022 and 2021:

	2022	2021
Mortgage note payable to HUD in monthly installments of $4,735, with interest at 9.25%, matured November 2022, secured by HUD project residential facilities.	$ -	$ 49,739
Mortgage note payable to a commercial bank in monthly installments of $845 including interest at 3.50%, due November 2025, secured by real estate.	134,220	139,490
Mortgage note payable to a commercial bank in monthly installments of $1,208 including interest at 5.50%, due June 2027, secured by real estate.	172,030	-

Note 10. Long-Term Debt (Continued)

	2022	2021
Mortgage note payable to a commercial bank in monthly installments of $2,616 including interest at 3.50%, repaid during 2022, secured by real estate.	$ -	$ 284,562
	306,250	473,791
Less: Unamortized loan issuance costs	5,264	5,698
	$ 300,986	$ 468,093

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, 2022, and in the aggregate, are as follows:

2023	$ 10,627
2024	11,102
2025	128,876
2026	6,089
2027	149,556
	$ 306,250

Interest expense for the years ended December 31, 2022 and 2021, was $23,266 and $40,357, respectively.

Note 11. 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 (7.50% at December 31, 2022). 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, 2023. There was no outstanding balance on the line at December 31, 2022 and 2021.

Note 12. 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:

	2022	2021
Financial assets at year end:		
Cash and cash - restricted	$ 5,560,303	$ 7,197,906
Accounts receivable, net of allowance	2,279,647	2,267,515
Accounts receivable - related party	1,771,001	514,760
Accounts receivable - other	2,555,761	2,555,761
Pledges and grants receivable, net	855,913	209,595
Investments	3,889,395	4,408,378
Beneficial interest in assets held by third party	180,659	540,876
Total financial assets	17,092,679	17,694,791
Less: Financial assets not available to be used within one year:		
Cash - restricted	525,420	492,176
Pledges receivable not due within one year	558,070	-
Beneficial interest in assets held by third party	88,640	448,857
Board designated	2,904,078	3,618,198
Restricted by donors	1,655,241	1,270,184
Total financial assets not available for general expenditures within one year	5,731,449	5,829,415
Total financial assets available for general expenditures within one year	$ 11,361,230	$ 11,865,376

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

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

Note 13. Net Assets

Net assets without donor restrictions includes $2,904,078 and $3,618,198 at December 31, 2022 and 2021, respectively, of net assets designated by the board of directors for endowment purposes. See note 15 for further information.

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

	2022	2021
Time and purpose restrictions:		
Programming	$ 92,549	$ 181,200
Endowment - unappropriated earnings	129,694	218,566
Assistive technology award program	8,585	7,913
Capital improvements	-	5,807
Time restriction - operating support	767,715	200,000
	998,543	613,486
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	10,000	10,000
	656,698	656,698
Total net assets with donor restrictions	$ 1,655,241	$ 1,270,184

Net assets were released from time and purpose restrictions during the years ended December 31, 2022 and 2021, as follows:

	2022	2021
Time restrictions expired	$ 200,000	$ 200,000
Satisfaction of purchase requirements	-	198,193
Satisfaction of program requirements	221,747	308,712
	$ 421,747	$ 706,905

During 2022, the Organization corrected the amount of net assets released in 2021. This change resulted in an increase to net assets without donor restrictions and a decrease in net assets with donor restrictions of $385,824 as of December 31, 2021. There was no impact on the total change in net assets.

Note 14. State and Local Revenue

State and local revenue received during the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
State of Indiana:		
Title XIX Medicaid	$ 6,781,972	$ 5,774,379
Medicaid day program	896,008	786,376
Medicaid waiver	17,217,112	15,677,158
Employment grants	15,640	6,026
Pre-employment transitions - State portion	224,467	177,104
Vocational rehab employment revenue	511,299	438,072
Total State Revenue	25,646,498	22,859,115
Local:		
Allen County Council	1,003,259	957,162
Dekalb County Commissioner	-	68,000
Steuben County Commissioner	40,000	40,000
Whitley County Assessor	40,000	40,000
Total Local Revenue	1,083,259	1,105,162
Total State and Local Revenue	$ 26,729,757	$ 23,964,277

Note 15. Endowment

The Organization has currently invested its donor-restricted and board designated endowment funds in cash and an investment account with a mixture of equities, fixed income, and cash and cash equivalents. The endowments have been established to meet the potential current and future needs of the Organization and to support the recreation, ballroom, adopt-a-family, and music programs. As required by accounting principles generally accepted in the United States of America ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of UPMIFA:

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets that are donor restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not donor restricted in perpetuity is classified as net assets with donor restrictions for time and purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 15. Endowment (Continued)

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

Return Objectives and Risk Parameters:

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

Strategies Employed for Achieving Objectives:

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

Spending Policy and How the Investment Objectives Relate to Spending Policy:

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

Note 15. Endowment (Continued)

Endowment net asset composition by type of fund at December 31, 2022 and 2021, was:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor restricted endowment funds	$ -	$ 694,373	$ 694,373
Board designated endowment funds	2,904,078	-	2,904,078
Total endowment net assets	$ 2,904,078	$ 694,373	$ 3,598,451

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor restricted endowment funds	$ -	$ 783,245	$ 783,245
Board-designated endowment funds	3,618,198	-	3,618,198
Total endowment net assets	$ 3,618,198	$ 783,245	$ 4,401,443

Changes in endowment net assets for the years ended December 31, 2022 and 2021, were:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 3,618,198	$ 783,245	$ 4,401,443
Investment return:			
Interest and dividends	87,212	10,428	97,640
Realized loss	(427,784)	(80,704)	(508,488)
Unrealized loss	(242,334)	(2,242)	(244,576)
Fees	(13,093)	(2,349)	(15,442)
Total investment return	(595,999)	(74,867)	(670,866)
Appropriation for expenditure	(118,121)	(14,005)	(132,126)
Endowment net assets, end of year	$ 2,904,078	$ 694,373	$ 3,598,451

Note 15. Endowment (Continued)

	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	(18,435)	(3,413)	(21,848)
Total investment return	444,606	58,953	503,559
Contributions and grants	1,240,573	10,000	1,250,573
Appropriation for expenditure	(18,071)	(26,633)	(44,704)
Net grants (expenditures)	1,222,502	(16,633)	1,205,869
Endowment net assets, end of year	$ 3,618,198	$ 783,245	$ 4,401,443

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

	2022	2021
Net Assets With Donor Restrictions for Time		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	$ 129,694	$ 218,566
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	564,679	564,679
	$ 694,373	$ 783,245

Note 16. 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 related parties was $1,771,001 and $514,760 at December 31, 2022 and 2021, respectively. Management fees paid to the related party during the years ended December 31, 2022 and 2021 was $837,525 and $348,205, of which $895,559 and $58,034 was included in accounts payable at December 31, 2022 and 2021, respectively.

Note 17. 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, 2022 and 2021, 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 $228,837 and $218,308 for the years ended December 31, 2022 and 2021, respectively.

Note 18. 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. The IRS has been granted up to five years to audit ERC claims for program eligibility and compliance.

Note 19. Credit Risk, Concentrations and Contingencies

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

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

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

The Organization provides various services to clients under agreements with state and federal governments which accounts for substantially all revenue. These agreements provide for compensation to the Organization at established cost reimbursement methodologies and established rates from the state and federal governments for Medicaid Waiver services. Client rates are set prospectively from actual cost information submitted on annual cost reports.

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 at December 31, 2022 and 2021, 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.

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, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Award Expended
U.S. Department of Housing and Urban Development:			
Section 8, Housing Assistance Payment Program	14.195	N/A	111,529
Pass-through from State of Indiana Office of Community and Rural Affairs:			
Community Development Block Grant	14.228	N/A	83,573
U.S. Department of Health and Human Services:			
COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A	719,476
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	42,231
National Endowment for the Arts	45.024	Arts Midwest	1,240
			$ 1,084,146

See Notes to Schedule of Expenditures of Federal Awards.

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, 2022. 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, 2022

	ASSETS	
	CURRENT ASSETS	
1120	Cash - operations	$ 2,640
1130	Accounts Receivable - HUD	45,132
1100T	Total Current Assets	47,772
	RESTRICTED DEPOSITS	
1191	Tenant/patient deposits held in trust	4,819
	FUNDED RESERVES	
1320	Replacement reserve	44,654
1340	Residual receipts reserve	7,868
1300T	Total Deposits	52,522
	PROPERTY, PLANT AND EQUIPMENT	
1410	Land	106,398
1420	Buildings	771,335
1450	Furniture for project/tenant use	79,096
1470	Maintenance equipment	38,458
1400T	Total Property, Plant and Equipment	995,287
1495	**LESS:** Accumulated depreciation	805,426
1400N	**NET PROPERTY, PLANT AND EQUIPMENT**	189,861
1000T	**TOTAL ASSETS**	$ 294,974
	LIABILITIES AND NET ASSETS	
	CURRENT LIABILITIES	
2110	Accounts payable - operations	$ 28,637
		25,691
2170	Mortgage payable - first mortgage (short-term)	
2122T	Total Current Liabilities	54,328
	LONG-TERM LIABILITIES	
2191	Tenant/patient deposits held in trust (contra)	4,819
2300T	Total Long-Term Liabilities	4,819
2000T	**TOTAL LIABILITIES**	59,147
	NET ASSETS	
3131	Unrestricted	235,827
3130	Total Net Assets	235,827
2033T	**TOTAL LIABILITIES AND NET ASSETS**	$ 294,974

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, 2022

	REVENUE	
	RENTAL	
5120	Tenant assistance payments	$ 111,529
5190	Miscellaneous rent revenue (Medicaid)	90,909
5100T	Total Rent Revenue	202,438
5200T	LESS: Vacancies	
5152N	**NET RENTAL REVENUE**	202,438
5900T	**TOTAL OTHER REVENUE**	13
5000T	**TOTAL REVENUE**	202,451
	EXPENSES	
	ADMINISTRATIVE EXPENSES	
6310	Office salaries	17,820
6330	Manager or superintendent salaries	10,890
6390	Miscellaneous administrative expenses	15,604
6263T	Total Administrative Expenses	44,314
	UTILITIES EXPENSES	
6450	Electricity	11,409
6451	Water	8,729
6452	Gas	4,649
6400T	Total Utilities Expenses	24,787
	OPERATING AND MAINTENANCE EXPENSES	
6510	Payroll	20,790
6590	Miscellaneous operating and maintenance expense	37,661
6500T	Total Operating and Maintenance Expenses	58,451
	TAXES AND INSURANCE	
6711	Payroll taxes (project's share)	4,752
6722	Workers' compensation	432
6723	Health insurance and other employee benefits	7,596
6700T	Total Taxes and Insurance	12,780
	FINANCIAL EXPENSES	
6820	Interest on mortgage payable	2,349
6800T	Total Financial Expenses	2,349
6000T	**TOTAL COST OF OPERATIONS BEFORE DEPRECIATION**	142,681
5060T	**PROFIT BEFORE DEPRECIATION**	59,770
6600	Depreciation expense	23,827
5060N	**NET PROFIT**	$ 35,943

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, 2022

CASH		
Cash - operations	$	2,640
Tenant security deposits		4,819
Tenant subsidy vouchers due for period covered by financial statements		-
Total Cash		7,459
CURRENT OBLIGATIONS		
Accounts payable - 30 days		347
Accrued mortgage interest payable		-
Tenant security deposits liability		4,819
Total Current Obligations		5,166
SURPLUS CASH	$	2,293

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, 2022

	Beginning Balance January 1, 2022	Additions	Disposals	Ending Balance December 31, 2022
Land	$ 52,348	$ -	$ -	$ 52,348
Land improvements	54,050	-	-	54,050
Buildings	762,839	8,496	-	771,335
Furniture for project/tenant use	79,096	-	-	79,096
Maintenance equipment	36,441	2,017	-	38,458
TOTAL COST	984,774	10,513	-	995,287
Accumulated depreciation	781,599	23,827	-	805,426
NET BOOK VALUE	$ 203,175	$ (13,314)	$ -	$ 189,861

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, 2022

BALANCE, January 1, 2022	$	36,668
Monthly deposits		7,974
Interest earned		12
Authorized withdrawals		-
BALANCE, December 31, 2022	$	44,654

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, 2022

BALANCE, January 1, 2022	$	7,867
Monthly deposits		-
Interest earned		1
Authorized withdrawals		-
BALANCE, December 31, 2022	$	7,868

See Independent Auditors' Report on Page 1.

Baden Gage & Schroeder LLC

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, 2022, 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 April 26, 2023.

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 or significant deficiencies 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Baden, Gage & Schroeder, LLC

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
April 26, 2023

Baden Gage & Schroeder LLC

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 on Each Major Federal Program

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, 2022. 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, 2022.

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

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.

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

BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
April 26, 2023

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:

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.498	COVID-19 Provider Relief Fund Provider Relief Fund and American Rescue Plan Rural Distribution

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 2022.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings or Questioned Costs in 2022.

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings for 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, ALN 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 ALN 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 agreed with the finding and implemented a corrective action plan during 2022 for the reporting of phase 4 Provider Relief Funds.