



FINANCIAL STATEMENTS

DECEMBER 31, 2024

CPAs / ADVISORS



EASTERSEALS NORTHEAST INDIANA

TABLE OF CONTENTS
DECEMBER 31, 2024

	Page
Report of Independent Auditors	1
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7



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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Easterseals Northeast Indiana
Fort Wayne, Indiana

Opinion

We have audited the accompanying financial statements of The Arc of Northeast Indiana, Inc. d/b/a Easterseals Northeast Indiana (Easterseals), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Easterseals as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Easterseals and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Other Matter

The financial statements of Easterseals for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on May 30, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Easterseals' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Easterseals Northeast Indiana
Fort Wayne, Indiana

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Easterseals' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Easterseals' ability to continue as a going concern for a reasonable period of time.

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

Blue & Co., LLC

Indianapolis, Indiana
August 11, 2025

EASTERSEALS NORTHEAST INDIANA

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2024

ASSETS

Current assets

Cash	\$ 5,886,109
Restricted cash	302,181
Total cash and restricted cash	6,188,290
Contract receivables, net	4,431,724
Related-party receivables	1,959,829
Pledges and grants receivable, net	797,314
Other current assets	294,974
Total current assets	13,672,131

Other assets

Property and equipment, net	9,319,147
Right-of-use assets under operating leases, net	391,600
Right-of-use assets under finance leases, net	520,693
Investments	4,832,594
Beneficial interests	218,284
Pledges and grants receivable, net	303,167
Total other assets	15,585,485
Total assets	\$ 29,257,616

LIABILITIES AND NET ASSETS

Current liabilities

Current portion of long-term debt	\$ 128,729
Current portion of operating lease liabilities	67,585
Current portion of finance lease liabilities	144,841
Accounts payable	550,697
Accrued salaries and related liabilities	2,046,904
Refundable advances	6,212
Funds held on behalf of others	302,181
Other current liabilities	165,113
Total current liabilities	3,412,262

Other liabilities

Long-term debt, net of current portion	154,047
Operating lease liabilities, net of current portion	358,945
Finance lease liabilities, net of current portion	345,266
Total other liabilities	858,258
Total liabilities	4,270,520

Net assets

Without donor restrictions	
Designated for endowment	3,554,668
Undesignated	19,371,891
Total without donor restrictions	22,926,559
With donor restrictions	2,060,537
Total net assets	24,987,096
Total liabilities and net assets	\$ 29,257,616

See accompanying notes to financial statements.

EASTERSEALS NORTHEAST INDIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2024

Revenues and support

Residential	\$ 8,978,427
Medicaid Waiver	16,500,286
Other fees and grants	4,098,760
Local support	1,150,217
Investment return	500,638
Rent income	83,302
Gain on disposal of property and equipment	22,097
Contributions of cash and other financial assets	704,652
Management fees	964,845
Net assets released from restriction	600,666
Total revenues and support	<u>33,603,890</u>

Expenses

Program services	
Adult services	2,816,624
Community Living	13,964,884
CCI Contract Assembly	2,273,432
Supported Employment	2,077,970
Residential	6,543,604
Total program services	<u>27,676,514</u>
General and administrative	4,370,156
Fundraising	754,223
Total expenses	<u>32,800,893</u>

Revenues and support over expenses /

Change in net assets without donor restrictions 802,997

Net assets with donor restrictions

Contributions	394,217
Investment return	47,916
Net assets released from restriction	(600,666)
Change in net assets with donor restrictions	<u>(158,533)</u>
Change in net assets	644,464

Net assets

Beginning of year	24,342,632
End of year	<u>\$ 24,987,096</u>

See accompanying notes to financial statements.

EASTERSEALS NORTHEAST INDIANA

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2024

	Program Services					Total Program Services	General and Administrative	Fundraising	Total Expenses
	Adult Services	Community Living	Work Services	Supported Employment	Residential				
Salaries - staff	\$ 1,386,706	\$ 9,966,048	\$ 1,504,652	\$ 1,309,877	\$ 3,907,635	\$ 18,074,918	\$ 1,875,565	\$ 341,304	\$ 20,291,787
Salaries - other	629	150,708	34,775	150,012	3,272	339,396	11,732	-0-	351,128
Payroll taxes	100,902	728,550	104,355	94,666	279,670	1,308,143	143,963	22,423	1,474,529
Employee benefits	190,605	1,154,211	139,153	159,922	443,458	2,087,349	507,318	34,832	2,629,499
Total salaries and benefits	1,678,842	11,999,517	1,782,935	1,714,477	4,634,035	21,809,806	2,538,578	398,559	24,746,943
Supplies	100,905	52,426	26,541	11,534	343,833	535,239	134,302	3,123	672,664
Professional services	348,844	940,172	52,323	75,692	127,565	1,544,596	462,715	69,478	2,076,789
Provider assessment	-0-	-0-	-0-	-0-	527,992	527,992	-0-	-0-	527,992
Telephone	31,001	51,152	17,478	18,061	40,306	157,998	62,372	4,469	224,839
Occupancy	157,960	213,176	139,731	27,842	346,800	885,509	233,293	13,261	1,132,063
Interest	2,521	4,642	2,023	42	11,821	21,049	4,367	21	25,437
Equipment rental and maintenance	14,251	19,978	19,535	6,706	91,163	151,633	46,808	1,584	200,025
Vehicle operation	39,076	8,946	42,298	16,778	36,346	143,444	69,207	1,021	213,672
Postage and shipping	542	3,779	603	452	1,342	6,718	1,906	139	8,763
Advertising and publications	28,889	13,467	24,988	16,220	15,803	99,367	111,033	115,446	325,846
Travel	12,218	106,258	10,014	45,850	18,587	192,927	20,796	4,593	218,316
Staff development	686	3,875	1,007	8,235	2,291	16,094	92,615	635	109,344
Insurance	45,033	105,187	52,235	17,480	63,960	283,895	62,262	3,832	349,989
Other	219,939	334,553	27,789	89,353	61,110	732,744	72,411	136,631	941,786
Depreciation	135,917	107,756	73,932	29,248	220,650	567,503	457,491	1,431	1,026,425
Total expenses	<u>\$ 2,816,624</u>	<u>\$ 13,964,884</u>	<u>\$ 2,273,432</u>	<u>\$ 2,077,970</u>	<u>\$ 6,543,604</u>	<u>\$ 27,676,514</u>	<u>\$ 4,370,156</u>	<u>\$ 754,223</u>	<u>\$ 32,800,893</u>

See accompanying notes to financial statements.

EASTERSEALS NORTHEAST INDIANA

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2024

Operating activities	
Change in net assets	\$ 644,464
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	1,026,425
Amortization of debt issuance costs	1,702
Net realized and unrealized gains on investments	(357,226)
Gain on disposal of property and equipment	(22,097)
Changes in operating assets and liabilities	
Contract receivables, net	(1,598,863)
Related-party receivables	(1,429,966)
Pledges and grants receivable, net	89,344
Other current assets	(82,977)
Right-of-use assets under leases, net	(74,998)
Accounts payable	237,872
Accrued salaries and related liabilities	286,197
Refundable advances	(125,084)
Funds held on behalf of others	(79,830)
Other current liabilities	(32,462)
Lease liabilities	353,455
Net cash flows from operating activities	<u>(1,164,044)</u>
Investing activities	
Purchase of property and equipment	(1,415,035)
Proceeds from disposal of property and equipment	37,766
Purchase of investments	(414,058)
Proceeds from sale of investments	303,671
Net change in beneficial interests	<u>(14,559)</u>
Net cash flows from investing activities	<u>(1,502,215)</u>
Financing activities	
Principal payments on long-term debt	(10,913)
Principal payments on finance lease liabilities	<u>(146,986)</u>
Net cash flows from financing activities	<u>(157,899)</u>
Net change in cash and restricted cash	(2,824,158)
Cash and restricted cash	
Beginning of year	9,133,442
End of year	<u><u>\$ 6,309,284</u></u>
Reconciliation of cash and restricted cash	
Cash in current assets	\$ 6,188,290
Cash in investments	<u>120,994</u>
Total cash and restricted cash	<u><u>\$ 6,309,284</u></u>
Supplemental disclosures of cash flows information	
Cash paid for interest	\$ 25,437

See accompanying notes to financial statements.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Arc of Northeast Indiana, Inc. d/b/a Easterseals Northeast Indiana (Easterseals) 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. Easterseals' 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.

Effective July 1, 2021, Easterseals aligned with Cardinal Services, Inc. of Indiana (Cardinal) and Easterseals Northern Indiana, Inc. (Network Parent). Network Parent is the sole corporate member of Easterseals and Cardinal.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Restricted Cash

Easterseals maintains cash in bank deposits accounts, which, at times may exceed federally insured limits. Easterseals has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Client checking accounts are restricted because they are not owned by Easterseals. These accounts are offset by the funds held on behalf of others liability in the statement of financial position.

Contract Receivables

Contract receivables are recorded at net realizable amounts based on established charges when services are rendered. Easterseals has agreements with third-party payers that provide for payments to Easterseals at amounts different from established rates. Payment arrangements include prospectively determined rates, discounted charged and per diem payments. The allowance offset against contract receivables represents management's estimate of the expected losses to be realized, and is based on historical experience, current economic conditions, and other relevant factors. All contract receivables are expected to be collected within one year. The allowance against contract receivables was approximately \$28,000 as of December 31, 2024. Contract receivables as of December 31, 2023 were \$2,833,000, net of the associated allowances of \$22,000.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

Pledges and Grants Receivable

Unconditional pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The allowances offset against pledges and grants receivable represent management’s estimate of expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. Amortization of the discount is included in contribution revenue. Conditional pledges and grants are recognized when the conditions on which they depend are substantially met.

Other Current Assets

Other current assets consist primarily of prepaid expenses and other short-term items. These assets are classified as current because they are expected to be utilized within the next year.

Property, Equipment and Depreciation

Property and equipment are stated at cost or, if donated to Easterseals, at fair value on the date of donation. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. It is the policy of Easterseals to capitalize property and equipment over \$500. Depreciation is provided over the estimated useful lives of the various classes of assets on the straight-line method. The estimated useful lives follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Buildings and improvements	5-30 years
Equipment and vehicles	3-20 years

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

On an ongoing basis, Easterseals reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may exceed fair value. Easterseals recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value.

Investments

Investments, consisting of mutual funds and exchanged traded funds (ETFs), money market mutual funds, and U.S. corporate bonds are stated at fair market value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. Fair market values for investments are based on quoted market prices. Investment income is accrued as earned.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are amortized over the term of the respective debt. The costs incurred in issuing the debt are classified with long-term debt, as a deduction, and are amortized using the effective-interest method over the respective term of the debt issue.

Other Current Liabilities

Other current liabilities consist of miscellaneous accrued liabilities and expenses. These liabilities are classified as current as they were incurred during 2024 and are expected to be paid within the next year.

Net Asset Classifications

Net assets are classified based on the absence or existence of donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the discretion of the board or designated by the board for specific use. Board designated net assets without donor restrictions represent those assets that are internally designated by the board for endowment. Also, net assets have been designated by the board for capital improvements.

Net assets with donor restrictions are subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets to be held in perpetuity or for a specified term with investment return available for operations or specific use. Easterseals' net assets with donor restrictions are comprised of contributions that have not yet been spent for their restricted purpose or time, amounts restricted for program services, and donor-restricted gifts that have been invested and are to be maintained in perpetuity.

Revenue Recognition

Residential and Medicaid Waiver

Easterseals contracts with various State of Indiana (the State) agencies to provide a wide variety of services to persons with disabilities, including residential and waiver services. Easterseals vouchers the State agencies based on current activity and the original amount of the contract. These services, rendered primarily to Medicaid waiver program beneficiaries, are paid utilizing a determined daily consumer rate. These services are paid at prospectively determined rates. Easterseals recognizes the amount of revenue it expects to collect for the transfer of services to clients over time in the period in which its performance obligations are satisfied.

These revenues are recognized over time as promised services are delivered to clients, in an amount that reflects the consideration Easterseals expects to be entitled to in exchange for those services. Service revenue from contracts with various third-party payers is recognized in the amount to which Easterseals has a right to invoice, (generally determined and billed on a weekly to monthly basis), when services are rendered by Easterseals. Generally, the transaction price in contracts is known at inception and the performance obligation is measured from the commencement of the services to the point when Easterseals is no longer required to provide services. Easterseals submits annual cost reports to determine its Medicaid rates for residential and group home services. These reports are subject to periodic audit by

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

the State. Based upon reports previously submitted and unaudited periods, Easterseals has determined that any liability related to unsettled Medicaid cost reports would be not be significant to the financial statements as a whole as of December 31, 2024.

Other Fees and Grants

Other fees and grants include revenue Easterseals receives from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Receipt of these funds is subject to the fulfillment of certain obligations by Easterseals as prescribed by these programs and funds may be subject to repayment upon a determination of noncompliance made by a funding agency. Amounts received are recognized as revenue when Easterseals has incurred expenditures in compliance with specific contract or grant provisions.

Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Easterseals recorded refundable advances as of December 31, 2024 of approximately \$6,000, in current liabilities as conditions of these grants expire in 2025.

Laws and regulations governing these programs are complex and subject to interpretation. Easterseals believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations and potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid programs.

Public Support and Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Easterseals recognizes all contributions as income in the period received. All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in changes in net assets without donor restrictions.

Easterseals also evaluates whether a contribution is unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statement of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into contribution revenue. Materials, property, equipment, and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values on the date received. There were no significant contributions of nonfinancial assets during 2024.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

The value of donated volunteer services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to various fundraising events and contacts with individuals receiving services at Easterseals.

Advertising

Easterseals expenses advertising and publication costs as incurred. Advertising and publication costs were approximately \$326,000 during 2024.

Functional Allocation of Expenses

The costs of supporting the programs and support activities have been summarized in the statement of functional expenses. Certain categories of expenses are attributable to both program and supporting functions of Easterseals. Certain costs such as salaries and benefits, have been allocated among program services, general and administrative, and fundraising categories based on actual direct expenditures incurred by departments, locations, and cost centers, and cost allocations based upon time spent by Easterseals' personnel. Other expenses require allocation on a reasonable basis that is consistently applied. Other expenses that are allocated include supplies, professional services, telephone, occupancy, interest, equipment rental and maintenance, vehicle operation, postage and shipping, advertising and publications, travel, staff development, insurance, other, and depreciation, which are allocated based on the ratio of direct costs charged to the category to total direct costs. Although the methods used were appropriate, alternative methods may provide different results.

Income Taxes

Easterseals is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC). As such, Easterseals is generally exempt from income taxes. However, Easterseals is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

US GAAP requires management to evaluate tax positions taken by Easterseals and recognize a tax liability if Easterseals has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by Easterseals, and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. Easterseals is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Easterseals has filed its federal and state income tax returns for periods through December 31, 2023. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Subsequent Events

Easterseals evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which was August 11, 2025.

2. PLEDGES AND GRANTS RECEIVABLE

Easterseals has unconditional pledge and grant commitments outstanding from donors and grantors totaling approximately \$1,198,000 as of December 31, 2024. These pledges are due in varying amounts through 2028. The present value of the pledges as of December 31, 2024, using a 3.944% discount factor is shown in the table below. Easterseals estimates uncollectible amounts based on management's estimate of expected losses to be realized. As of December 31, 2024, pledges and grants receivable consisted of the following:

Pledges and grants receivable	\$ 1,198,000
Discount to present value	(94,065)
Allowance for uncollectible pledges and grants	(3,454)
	<u>\$ 1,100,481</u>
Due in less than one year	\$ 797,314
Due in one to five years	400,686
	<u>\$ 1,198,000</u>

3. INVESTMENTS

Investments, at fair value, consist of the following as of December 31, 2024:

Cash	\$ 120,994
Mutual funds and ETFs	4,298,525
Money market mutual funds	334,469
U.S. corporate bonds	78,606
	<u>\$ 4,832,594</u>

Investment return is composed of the following for the year ended December 31, 2024:

Interest and dividend income, net of fees	\$ 191,328
Unrealized gains on investments	259,895
Realized gains on investments	97,331
	<u>\$ 548,554</u>

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

4. BENEFICIAL INTERESTS

Beneficial Interest in Assets Held by a Community Foundation

The Community Foundation of Greater Fort Wayne Inc. (Community Foundation) holds funds in Easterseals' name totaling \$96,000 at December 31, 2024. These are the result of an agreement whereby Easterseals has transferred assets, without variance power, to the Community Foundation and has specified itself as the beneficiary of the assets. Easterseals 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 interests in the statement of financial position.

Additionally, the Community Foundation holds investment assets, with a value of approximately \$132,000 at December 31, 2024 for the benefit of Easterseals for which it has retained variance power. The Community Foundation of Whitley County holds investment assets, with a value of approximately \$433,000 at December 31, 2024 for the benefit of Easterseals for which it has retained variance power. These investments are not recorded as assets of Easterseals.

Beneficial Interest in Perpetual Trust

Easterseals is the beneficiary under a charitable remainder trust administered by a third-party trustee. Under the terms of the trust, Easterseals has the irrevocable right to receive income earned by the trust's assets each year in perpetuity. Easterseals' interest in the trust is valued at Easterseals' share of the fair value of the underlying net assets. The original contribution of approximately \$92,000 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 Easterseals' beneficial interest in perpetual trust is approximately \$123,000 at December 31, 2024.

5. PROPERTY AND EQUIPMENT

As of December 31, 2024, property and equipment consisted of the following:

Land and improvements	\$ 2,086,312
Buildings and improvements	14,354,903
Equipment and vehicles	3,506,083
	<hr/>
	19,947,298
Accumulated depreciation	(10,628,151)
	<hr/>
	\$ 9,319,147
	<hr/>

Depreciation expense for 2024 was approximately \$1,026,000. There were no material outstanding commitments for property and equipment as of December 31, 2024. Easterseals does utilize certain property for rental purposes. The cost of the rental property was \$1,506,000 as of December 31, 2024, with accumulated depreciation of \$529,000 as of December 31, 2024. Rental agreements are annual and are renewable. Rental income was \$83,000 for 2024. Expected annual rental income is approximately \$100,000 for 2025.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Easterseals has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2024:

- *Mutual funds and ETFs*: Valued at the daily closing price as reported by the fund. Mutual funds and ETFs held by Easterseals are open-end mutual funds and ETFs that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds and ETFs held by Easterseals are deemed to be actively traded.
- *Money market mutual funds*: Generally, transact subscription and redemption activity at a \$1 stable NAV; however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *U.S. corporate bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes based value 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 Easterseals by the Community Foundation.
- *Beneficial interest in perpetual trust*: Valued at Easterseals' share of the fair value of the underlying net assets held by and reported to Easterseals by the trustee.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

The following table sets forth by level, within the hierarchy, Easterseals' assets measured at fair value on a recurring basis as of December 31, 2024 as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Mutual funds and ETFs				
Fixed income	\$ 1,717,718	\$ 1,717,718	\$ -0-	\$ -0-
Large blend	1,627,461	1,627,461	-0-	-0-
Large growth	317,928	317,928	-0-	-0-
Large value	272,624	272,624	-0-	-0-
Mid value	212,967	212,967	-0-	-0-
Small blend	149,827	149,827	-0-	-0-
Total mutual funds and ETFs	4,298,525	4,298,525	-0-	-0-
Money market mutual funds	78,606	-0-	78,606	-0-
U.S. corporate bonds	334,469	-0-	334,469	-0-
	4,711,600	4,298,525	413,075	-0-
Cash	120,994			
Total investments	4,832,594			
Beneficial interest in assets				
held by a community foundation	95,747	-0-	-0-	95,747
Beneficial interest in perpetual trust	122,537	-0-	-0-	122,537
	<u>\$ 5,050,878</u>	<u>\$ 4,298,525</u>	<u>\$ 413,075</u>	<u>\$ 218,284</u>

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of Easterseals.

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	A Perpetual Trust
Balance, January 1, 2024	\$ 88,652	\$ 115,073
Interest and dividends	3,336	-0-
Unrealized and realized gains on investments	4,230	10,811
Distributions	(280)	(2,258)
Fees	(191)	(1,089)
Balance, December 31, 2024	<u>\$ 95,747</u>	<u>\$ 122,537</u>

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

7. DEBT

Long-term debt consisted of the following as of December 31, 2024:

Mortgage note payable, due in monthly installments of \$845, including interest at a fixed rate of 3.50%, through November 20, 2025, collateralized by real estate, improvements to real estate, and personal property with a net book value of approximately \$114,000 at December 31, 2024.	\$ 123,133
Mortgage note payable, due in monthly installments of \$1,208, including interest at a fixed rate of 5.50%, through June 22, 2027, collateralized by real estate, improvements to real estate, and personal property with a net book value of approximately \$466,000 at December 31, 2024.	<u>161,349</u>
	284,482
Unamortized debt issuance costs	(1,706)
Current portion	<u>(128,729)</u>
	<u>\$ 154,047</u>

Interest expense was approximately \$25,000 and for 2024. Scheduled principal repayments over the remaining life of the debt are as follows:

Year Ending December 31,	
2025	\$ 128,729
2026	5,939
2027	<u>149,814</u>
	<u>\$ 284,482</u>

8. LEASES

Easterseals recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

Easterseals has operating leases for office space and finance leases for vehicles and equipment. Leasing arrangements require fixed payments and also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. Easterseals' lease agreements do not contain any material restrictive covenants. The leases have remaining terms through 2031.

Easterseals' ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. As a not-for-profit business entity, Easterseals made a policy election to use a risk-free discount rate based on the rate of a

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

zero-coupon U.S. treasury instrument commensurate to the lease term as the discount rate for its leases unless Easterseals can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Easterseals has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The ROU assets also include any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are rather expensed on a straight-line basis over the lease term. Short-term leases were not significant to the financial statements.

In evaluating contracts to determine if they qualify as a lease, Easterseals considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if Easterseals can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, Easterseals assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgement.

The components of Easterseals' lease cost, ROU assets and lease liabilities as of December 31, 2024 are as follows:

Lease cost	
Operating lease cost	\$ 65,819
Finance lease cost	
Amortization	146,986
Interest	19,941
Total finance lease cost	<u>166,927</u>
Short-term lease cost	95,691
Total lease cost	<u>\$ 328,437</u>
Right-of-use assets	
Operating lease assets, net	\$ 391,600
Finance lease assets, net	520,693
Total right-of-use assets	<u>\$ 912,293</u>
Deferred rent reduction included in right-of-use assets	<u>\$ 4,344</u>
Lease liabilities	
Operating lease liabilities, current	\$ 67,585
Finance lease liabilities, current	144,841
Total operating and finance lease liabilities, current	<u>212,426</u>
Operating lease liabilities, noncurrent	358,945
Finance lease liabilities, noncurrent	345,266
Total operating and finance lease liabilities, noncurrent	<u>704,211</u>
Total lease liabilities	<u>\$ 916,637</u>

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Additional information regarding cash payments under Easterseals' operating and finance leases during 2024, as well as the inputs used in determining the ROU assets and liabilities as of December 31, 2024, is as follows:

Cash paid for amount included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 66,923
Operating cash flows from finance leases	\$ 19,941
Financing cash flows from finance leases	\$ 146,986
Right-of-use assets obtained in exchange for new:	
Operating lease liabilities	\$ 354,047
Weighted-average remaining lease term - operating leases	6.1 years
Weighted-average remaining lease term - finance leases	3.4 years
Weighted-average discount rate - operating leases	0.1%
Weighted-average discount rate - finance leases	3.9%

Future payments of lease liabilities as of June 30, 2024 are as follows:

Year Ending December 31,	Lease Liabilities		
	Operating	Finance	Total
2025	\$ 68,261	\$ 163,754	\$ 232,015
2026	69,626	154,108	223,734
2027	71,019	133,692	204,711
2028	72,439	72,783	145,222
2029	73,888	-0-	73,888
Thereafter	73,489	-0-	73,489
Total lease payments	428,722	524,337	953,059
Less interest	(2,192)	(34,230)	(36,422)
Present value of lease liabilities	\$ 426,530	\$ 490,107	\$ 916,637

The leases include escalating lease payments that, under accounting principles generally accepted in the United States of America, are to be recognized on a straight-line basis. As of December 31, 2024, the ROU asset was reduced by approximately \$4,000 for deferred rent.

9. ENDOWMENT

Easterseals' endowments consist of various investment securities, most of which are traded on public markets. The endowments have been established to meet the potential current and future needs of Easterseals and to support the recreation, ballroom, adopt-a-family, and music programs. The endowments are made of assets without donor restrictions board designated, assets with donor restrictions for specified purposes, and assets with donor restrictions maintained in perpetuity. As required by US GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Endowment net asset composition as of December 31, 2024:

	Without Donor Restrictions Board Designated	With Donor Restrictions For Specified Purposes	With Donor Restrictions Maintained in Perpetuity	Total
Board designated	\$ 3,554,668	\$ -0-	\$ -0-	\$ 3,554,668
Donor-restricted	-0-	215,858	564,679	780,537
	<u>\$ 3,554,668</u>	<u>\$ 215,858</u>	<u>\$ 564,679</u>	<u>\$ 4,335,205</u>

Changes in endowment net assets for 2024 and were as follows:

	Without Donor Restrictions Board Designated	With Donor Restrictions For Specified Purposes	With Donor Restrictions Maintained in Perpetuity	Total
Beginning balance	\$ 3,273,427	\$ 178,659	\$ 564,679	\$ 4,016,765
Additions	8,396	1,513	-0-	9,909
Interest and dividends	112,602	13,961	-0-	126,563
Net gains on investments	272,833	33,955	-0-	306,788
Appropriations for expenditure	(112,590)	(12,230)	-0-	(124,820)
	<u>\$ 3,554,668</u>	<u>\$ 215,858</u>	<u>\$ 564,679</u>	<u>\$ 4,335,205</u>

Interpretation of Relevant Law

Easterseals' Board of Directors has determined the requirements of Indiana's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as with donor restrictions maintained in perpetuity. The earnings generated by these investments are classified as with donor restrictions for specified purposes and are reclassified as without donor restrictions upon their appropriation for expenditure by Easterseals in a manner consistent with the standard of prudence prescribed by Indiana's version of the UPMIFA. Easterseals considers the following factors in making a determination to appropriate or accumulate its endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Easterseals 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 Easterseals
- (7) The investment policies of Easterseals

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

Return Objectives and Risk Parameters

Easterseals 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 Easterseals must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, all endowment assets are invested in readily marketable securities. The purpose of the endowment fund is to facilitate donors' desires to make substantial long-term gifts to Easterseals to develop a source of revenue to support the endeavors of Easterseals and to support the activities of Easterseals' clients.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, Easterseals 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). Easterseals 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 Investment Objectives Relate

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.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Easterseals to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are to be reported in net assets with donor restrictions. Easterseals has interpreted UPMIFA to permit spending for underwater funds in accordance with prudent measure required under the law. Easterseals believes there were no underwater funds as of December 31, 2024.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purpose at December 31, 2024:

Subject to expenditure for specified purposes	
Program services *	\$ 78,500
Assistive technology award program	9,000
Investment earnings on endowment funds	
restricted for program services and other specified activities *	<u>215,858</u>
Total subject to expenditure for specified purposes	303,358
Restricted as to time - pledges and grants receivable	1,100,481
Restricted in perpetuity, the income of which is expendable to support:	
Beneficial interest in perpetual trust	92,019
Endowment funds	<u>564,679</u>
Total restricted in perpetuity	<u>656,698</u>
Total net assets with donor restrictions	<u>\$ 2,060,537</u>

Net assets with donor restrictions were released for the following purpose during 2024:

Program services *	\$ 165,161
Investment earnings on endowment funds	
restricted for program services and other specified activities *	12,230
Restricted as to time	<u>423,275</u>
	<u>\$ 600,666</u>

* Program services include primarily Residential, Community Living and Adult Services.

11. RETIREMENT PLAN

Easterseals 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 2024, the employer match was 50% of employee contributions not to exceed 3% of the employee's regular wages. Additionally, Easterseals may make a discretionary contribution. Participants are 100% vested after three years. Easterseals incurred expenses, related to the Plan, of approximately \$199,000 for 2024.

12. RELATED-PARTY TRANSACTIONS

Easterseals is owned by Network Parent. Network Parent utilizes certain employees, administrative services, and general management and oversight from Easterseals. Easterseals charges Network Parent for its expenses related to the services provided. No markup is added to the fees charged to Network Parent. During 2024, Easterseals charged approximately \$965,000 to Network Parent for administrative services, which are included in management fees within the statement of activities and changes in net assts. Certain operating expenses of Cardinal are paid by Easterseals and Easterseals charges Cardinal for such expenses. As of December 31, 2024, Network Parent and Cardinal owed Easterseals approximately \$1,835,000 and \$125,000, respectively, for administrative services and operating expenses, which are included in related-party receivables within the statement of financial position.

EASTERSEALS NORTHEAST INDIANA

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

13. LIQUIDITY AND AVAILABILITY

Easterseals has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of the following:

Cash	\$ 5,886,109
Contract receivables, net	4,431,724
Related-party receivables	1,959,829
Less net assets with donor restrictions	<u>(87,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,190,162</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Contract, and related-party receivables are subject to implied time restrictions but are expected to be collected within one year. Easterseals has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

14. STATE AND LOCAL AWARDS

Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources, issued by the Indiana State Board of Accounts, requires Indiana not-for-profit entities to disclose federal, state and local awards expended during the entities’ annual reporting period. During 2024, Easterseals expended the following federal, state, and local awards:

Grantor / Pass-Through Grantor / Program Title	
Federal	
United States Department of Health and Human Services	
Indiana Family and Social Services Administration	
ALN 93.958 - Block Grants for Community Mental Health	\$ 13,200
United States Department of Agriculture	
Indiana Department of Education	
ALN 10.558 - Child & Adult Care Food Program	<u>45,793</u>
Total Federal	58,993
State of Indiana	
Medicaid day program	8,978,427
Medicaid waiver	16,500,286
Child & adult care food program	45,708
Pre-employment transitions	991,379
Vocational rehabilitation employment	624,626
Innovative pilot projects	<u>1,337,007</u>
Total State of Indiana	28,477,433
Local	
Allen County Council	1,105,217
Steuben County Council	25,000
Whitley County Council	<u>20,000</u>
Total local	1,150,217
Total Federal, State of Indiana, and Local	<u>\$ 29,686,643</u>
