



EASTEASTERSEALS EASTERN PENNSYLVANIA

FINANCIAL AND COMPLIANCE REPORT

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Easterseals Eastern Pennsylvania
Allentown, Pennsylvania**

Report on the Audit the Financial Statements

Opinion

We have audited the accompanying financial statements of Easterseals Eastern Pennsylvania (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Easterseals Eastern Pennsylvania as of June 30, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Easterseals Eastern Pennsylvania 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.

Emphasis of Matter

As discussed in Note 1 of the financial statements, effective July 1, 2022, Easterseals Eastern Pennsylvania adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

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 Eastern Pennsylvania's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Easterseals Eastern Pennsylvania'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 Easterseals Eastern Pennsylvania'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of revenue and expenses - Lehigh County MH/EI/DD, Northampton County MH/EI/DD, Carbon, Monroe, Pike Joinder MH/EI/DD, Service Access and Management (Berks County MH/EI/DD), Lebanon County MH/EI/DD, Home and Community Habilitation Programs, FDFSS program fiscal administration, and the schedule of reimbursements and consumer costs for FDFSS voucher program are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenue and expenses - Lehigh County MH/EI/DD, Northampton County MH/EI/DD, Carbon, Monroe, Pike Joinder MH/EI/DD, Service Access and Management (Berks County MH/EI/DD), Lebanon County MH/EI/DD, Home and Community Habilitation Programs, FDFSS program fiscal administration, and the schedule of reimbursements and consumer costs for FDFSS voucher program are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024, on our consideration of Easterseals Eastern Pennsylvania'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 Organization'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 of Easterseals Eastern Pennsylvania's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
May 15, 2024

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

June 30

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 519,151	\$ 445,700
Cash held - fiscal administration program	-	35,466
Receivable due - fiscal administration program	49,025	13,559
Contracts and other accounts receivable, net of insurance reserve	474,497	396,870
Pledges receivable	41,193	62,835
Prepaid expenses	33,332	33,767
TOTAL CURRENT ASSETS	1,117,198	988,197
NONCURRENT ASSETS		
Investments	2,230,613	2,234,294
Beneficial interest in perpetual trusts held by others	466,394	457,436
Right-of-use assets - operating leases	309,570	-
Land, buildings, and equipment:		
Land	21,250	21,250
Buildings and improvements	768,335	717,744
Leasehold improvements	60,864	60,864
Equipment	348,434	336,793
Less: accumulated depreciation	(582,366)	(554,932)
Net land, buildings, and equipment	616,517	581,719
TOTAL NONCURRENT ASSETS	3,623,094	3,273,449
TOTAL ASSETS	<u>\$ 4,740,292</u>	<u>\$ 4,261,646</u>

See accompanying notes.

June 30

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit - fiscal administration program	\$ 74,025	\$ 49,025
Accounts payable and accrued expenses	105,584	105,821
Accrued payroll and payroll taxes	92,515	88,887
Funds held - CLIU and FSS	5,869	5,869
Deferred revenue	98,333	147,115
Operating lease liabilities	85,757	-
TOTAL CURRENT LIABILITIES	462,083	396,717
NONCURRENT LIABILITIES		
Operating lease liabilities, net	226,184	-
TOTAL LIABILITIES	688,267	396,717
NET ASSETS		
Without donor restrictions:		
Undesignated	2,634,647	2,562,970
Board designated	594,029	547,339
Total without donor restrictions	3,228,676	3,110,309
With donor restrictions:		
Restricted for time or purpose	110,411	65,653
Restricted in perpetuity	712,938	688,967
Total with donor restrictions	823,349	754,620
TOTAL NET ASSETS	4,052,025	3,864,929
TOTAL LIABILITIES AND NET ASSETS	\$ 4,740,292	\$ 4,261,646

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	Without Donor Restrictions	With Donor Restrictions	2022 Total
REVENUE AND SUPPORT						
Berks County MH/EI/DD revenue	\$ 606,736	\$ -	\$ 606,736	\$ 569,960	\$ -	\$ 569,960
Carbon, Monroe, Pike Counties MH/EI/DD revenue	262,039	-	262,039	281,223	-	281,223
Lebanon County MH/MR	25,074	-	25,074	12,465	-	12,465
Lehigh County MH/EI/DD revenue	422,589	-	422,589	452,296	-	452,296
Lehigh County fiscal administration fees	37,350	-	37,350	49,000	-	49,000
Northampton County MH/EI/DD revenue	271,917	-	271,917	193,046	-	193,046
Northampton County fiscal administration fees	24,425	-	24,425	27,825	-	27,825
Provider relief funds	-	-	-	87,970	-	87,970
Fee for services - outpatient therapy	151,526	-	151,526	115,216	-	115,216
Fee for services - Habilitation	723,792	-	723,792	686,404	-	686,404
Camp fees	202,808	-	202,808	169,405	-	169,405
School districts and IU's	16,393	-	16,393	11,438	-	11,438
PA Department of Health	319,819	-	319,819	358,532	-	358,532
United Way	380,243	-	380,243	376,033	-	376,033
Contributions	262,847	75,362	338,209	318,799	42,442	361,241
Contributed nonfinancial assets	6,354	-	6,354	7,324	-	7,324
Bequests	158,820	-	158,820	27,910	-	27,910
Special events, net of costs of \$24,661 - 2023 and \$1,405 - 2022	252,197	-	252,197	39,472	-	39,472
Trust income	20,594	-	20,594	19,694	-	19,694
Investment return	163,306	15,013	178,319	(199,685)	(21,046)	(220,731)
Gain (loss) on perpetual trusts	-	8,958	8,958	-	(103,774)	(103,774)
Other income	7,946	-	7,946	5,720	-	5,720
Employee retention credit	-	-	-	127,138	-	127,138
Paycheck Protection Program loan forgiveness	-	-	-	350,000	-	350,000
Net assets released from restriction	30,604	(30,604)	-	14,740	(14,740)	-
TOTAL REVENUE AND SUPPORT	4,347,379	68,729	4,416,108	4,101,925	(97,118)	4,004,807

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES - CONTINUED

Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	Without Donor Restrictions	With Donor Restrictions	2022 Total
EXPENSES						
Program Services:						
Early childhood	1,475,932	-	1,475,932	1,371,900	-	1,371,900
Medical rehabilitation	424,112	-	424,112	355,931	-	355,931
Contracted services	12,512	-	12,512	10,269	-	10,269
Vocational rehab	19,097	-	19,097	-	-	-
Clinical services	386,438	-	386,438	425,690	-	425,690
Recreation	411,094	-	411,094	322,010	-	322,010
Fiscal administration	67,598	-	67,598	71,389	-	71,389
Community education	41,803	-	41,803	52,895	-	52,895
Home and community habilitation	694,847	-	694,847	645,566	-	645,566
Supporting Services:						
Management and general	367,684	-	367,684	446,155	-	446,155
Fundraising	282,895	-	282,895	254,578	-	254,578
Dues to national affiliate	45,000	-	45,000	44,777	-	44,777
TOTAL EXPENSES	<u>4,229,012</u>	<u>-</u>	<u>4,229,012</u>	<u>4,001,160</u>	<u>-</u>	<u>4,001,160</u>
CHANGE IN NET ASSETS	118,367	68,729	187,096	100,765	(97,118)	3,647
NET ASSETS AT BEGINNING OF YEAR	<u>3,110,309</u>	<u>754,620</u>	<u>3,864,929</u>	<u>3,009,544</u>	<u>851,738</u>	<u>3,861,282</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,228,676</u>	<u>\$ 823,349</u>	<u>\$ 4,052,025</u>	<u>\$ 3,110,309</u>	<u>\$ 754,620</u>	<u>\$ 3,864,929</u>

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services										Supporting Services		Total Program and Supporting Services
	Early Childhood	Medical Rehabilitation	Contracted Services	Vocational Rehab	Clinical Services	Recreation	Fiscal Administration	Community Education	In Home and Community Supports	Total Programs	Management and General	Fundraising	
EMPLOYMENT EXPENSES													
Salaries and compensation	\$ 208,335	\$ 224,751	\$ 1,625	\$ 11,957	\$ 107,740	\$ 207,350	\$ 30,795	\$ 6,199	\$ 448,359	\$ 1,247,111	\$ 189,886	\$ 190,616	\$ 1,627,613
Benefits	17,457	16,016	135	2,572	3,041	2,718	2,249	1,146	19,699	65,033	21,619	10,202	96,854
Payroll taxes	19,434	20,823	147	1,226	9,917	22,026	2,755	525	46,052	122,905	20,626	15,746	159,277
Independent contractor/ staffing costs	1,030,888	98,437	8,829	3,194	78,095	8,784	76	30,452	13,554	1,272,309	300	508	1,273,117
TOTAL EMPLOYMENT EXPENSES	1,276,114	360,027	10,736	18,949	198,793	240,878	35,875	38,322	527,664	2,707,358	232,431	217,072	3,156,861
OPERATING EXPENSES													
Consultant and contracted services	96,089	28,087	991	-	159,540	15,190	14,304	1,887	44,799	360,887	43,313	9,989	414,189
Supplies	10,502	4,250	70	117	1,752	10,210	1,716	139	11,995	40,751	9,719	6,575	57,045
Postage and shipping	28	177	-	-	13	53	1,394	-	122	1,787	290	2,106	4,183
Printing and advertising	7	2	-	-	2	829	12	37	37	926	2,012	2,090	5,028
Conferences and meetings	978	2,132	2	31	61	2,251	17	5	43	5,520	11,487	3,446	20,453
Employee expense	1,338	66	3	-	61	1,534	236	5	56,907	60,150	3,494	3,777	67,421
Camperships	-	-	-	-	-	49,880	-	-	-	49,880	-	-	49,880
Miscellaneous operating expenses	2,855	340	9	-	8,742	2,856	1,176	18	1,121	17,117	5,972	5,517	28,606
Interest expense	-	-	-	-	-	-	4,811	-	-	4,811	66	-	4,877
Equipment rental and maintenance	5,603	2,719	69	-	1,757	4,842	252	140	1,931	17,313	11,585	5,822	34,720
Membership dues and fees	665	859	3	-	76	1,011	-	6	150	2,770	-	1,461	4,231
TOTAL OPERATING EXPENSES	118,065	38,632	1,147	148	172,004	88,656	23,918	2,237	117,105	561,912	87,938	40,783	690,633
GENERAL EXPENSES													
Telephone expense	4,532	2,265	56	-	1,441	1,231	354	115	1,526	11,520	1,348	677	13,545
Occupancy expense	36,901	10,260	384	-	9,246	74,635	5,559	734	16,856	154,575	30,471	15,498	200,544
Insurance expense	5,675	2,817	70	-	1,798	2,478	1,892	143	1,922	16,795	15,496	7,878	40,169
Depreciation expense	8,512	10,111	119	-	3,156	3,216	-	252	2,068	27,434	-	-	27,434
Bad debt	26,133	-	-	-	-	-	-	-	27,706	53,839	-	987	54,826
TOTAL GENERAL EXPENSES	81,753	25,453	629	-	15,641	81,560	7,805	1,244	50,078	264,163	47,315	25,040	336,518
TOTAL EXPENSES	\$ 1,475,932	\$ 424,112	\$ 12,512	\$ 19,097	\$ 386,438	\$ 411,094	\$ 67,598	\$ 41,803	\$ 694,847	\$ 3,533,433	\$ 367,684	\$ 282,895	\$ 4,184,012

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services								Supporting Services		Total	
	Early Childhood	Medical Rehabilitation	Contracted Services	Clinical Services	Recreation	Fiscal Administration	Community Education	In Home and Community Supports	Total Programs	Management and General	Fundraising	Program and Supporting Services
EMPLOYMENT EXPENSES												
Salaries and compensation	\$ 219,179	\$ 203,055	\$ 1,345	\$ 123,179	\$ 137,824	\$ 39,706	\$ 7,040	\$ 442,198	\$ 1,173,526	\$ 265,486	\$ 188,479	\$ 1,627,491
Benefits	19,988	6,494	44	8,912	3,225	2,630	1,045	19,508	61,846	18,270	5,669	85,785
Payroll taxes	20,415	19,312	121	11,173	16,521	3,636	600	45,244	117,022	24,172	15,664	156,858
Independent contractor/ staffing costs	971,283	71,249	7,872	82,844	15,736	2,494	40,621	29,137	1,221,236	7,659	1,867	1,230,762
TOTAL EMPLOYMENT EXPENSES	1,230,865	300,110	9,382	226,108	173,306	48,466	49,306	536,087	2,573,630	315,587	211,679	3,100,896
OPERATING EXPENSES												
Consultant and contracted services	32,498	10,579	248	159,775	6,092	5,598	938	14,943	230,671	44,849	3,765	279,285
Supplies	11,566	4,255	51	3,442	16,113	2,393	244	5,996	44,060	12,847	3,509	60,416
Postage and shipping	168	118	-	47	238	1,350	1	85	2,007	675	1,951	4,633
Printing and advertising	10,043	46	1	52	1,777	330	5	631	12,885	2,021	3,222	18,128
Conferences and meetings	178	783	1	602	733	25	6	392	2,720	4,473	1,266	8,459
Employee expense	1,127	21	1	24	1,562	129	2	52,963	55,829	835	919	57,583
Consumer transportation	715	480	4	334	120	2	23	165	1,843	22	9	1,874
Camperships	-	-	-	-	39,304	-	-	-	39,304	-	-	39,304
Miscellaneous operating expenses	4,675	190	5	9,174	1,411	1,387	18	869	17,729	8,995	4,040	30,764
Interest expense	328	221	2	152	55	1,257	11	75	2,101	-	-	2,101
Equipment rental and maintenance	23,698	13,064	175	7,553	4,339	2,026	693	10,477	62,025	6,016	3,409	71,450
Membership dues and fees	569	672	1	23	13	148	2	145	1,573	465	1,043	3,081
TOTAL OPERATING EXPENSES	85,565	30,429	489	181,178	71,757	14,645	1,943	86,741	472,747	81,198	23,133	577,078
GENERAL EXPENSES												
Telephone expense	4,520	2,125	30	1,727	1,313	426	139	1,552	11,832	1,628	649	14,109
Occupancy expense	38,124	10,499	292	11,092	69,669	5,834	1,098	17,678	154,286	31,171	12,382	197,839
Insurance expense	4,110	1,776	28	1,504	2,418	2,018	125	1,498	13,477	16,571	6,698	36,746
Depreciation expense	8,716	10,992	48	4,081	3,547	-	284	2,010	29,678	-	-	29,678
Bad debt	-	-	-	-	-	-	-	-	-	-	37	37
TOTAL GENERAL EXPENSES	55,470	25,392	398	18,404	76,947	8,278	1,646	22,738	209,273	49,370	19,766	278,409
TOTAL EXPENSES	\$ 1,371,900	\$ 355,931	\$ 10,269	\$ 425,690	\$ 322,010	\$ 71,389	\$ 52,895	\$ 645,566	\$ 3,255,650	\$ 446,155	\$ 254,578	\$ 3,956,383

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 187,096	\$ 3,647
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	27,434	29,678
Paycheck Protection Program loan forgiveness	-	(350,000)
Unrealized (gain) loss on investments	(171,257)	274,901
(Gain) loss on perpetual trusts held by others	(8,958)	103,774
Noncash lease expense	98,215	-
Changes in:		
Receivable due - FDFSS program	(35,466)	6,193
Contracts and other accounts receivable	(77,627)	(41,255)
Pledges receivable	21,642	(21,003)
Prepaid expenses	435	3,599
Accounts payable and accrued expenses	(237)	(27,154)
Accrued payroll and payroll taxes	3,628	(32,955)
Deferred revenue	(48,782)	90,518
Operating lease liabilities	(95,844)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(99,721)	39,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,464,677	474,491
Purchase of investments	(2,289,739)	(1,146,662)
Purchase of land, buildings, and equipment	(62,232)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	112,706	(672,171)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdowns on FDFSS line of credit	25,000	-
NET INCREASE (DECREASE) IN CASH	37,985	(632,228)
CASH AT BEGINNING OF YEAR	481,166	1,113,394
CASH AT END OF YEAR	\$ 519,151	\$ 481,166
RECONCILIATION OF CASH AT YEAR END		
Cash	\$ 519,151	\$ 445,700
Cash held - FDFSS program	-	35,466
	\$ 519,151	\$ 481,166
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 4,877	\$ 2,101
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	\$ -	\$ 350,000
Right-of-use assets obtained in exchange for operating lease liabilities	397,691	-

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Easterseals Eastern Pennsylvania (the "Organization") is a nonprofit organization whose purpose is to provide quality, comprehensive programs and services to people with disabilities and other special needs in the communities served by creating solutions that promote dignity and change lives by maximizing each individual's potential. The Organization is affiliated with Easterseals, Inc. (Easterseals national headquarters). Clients served by the Organization are primarily children who reside in counties located in eastern Pennsylvania and, because of a disability, require various habilitative and rehabilitative services. The Organization receives support from various funding sources. Continued funding is dependent upon the availability of federal, state, and local government funds and contributions from the public sector.

Revenue Concentrations

Revenue from the counties only pay for base services, while related medical assistance funds for the counties are paid through the Department of Human Services. For the year ended June 30, 2023, the Organization received approximately 33% of its total support and revenues from the Pennsylvania Department of Human Services. Accounts receivable due from this agency was \$151,109 at June 30, 2023. For the year ended June 30, 2022, the Organization received approximately 34% of its total support and revenues from the Pennsylvania Department of Human Services. Accounts receivable due from this agency was \$192,058 at June 30, 2022.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

For purposes of the statements of cash flows, the Organization considers all unrestricted highly-liquid investments with a maturity of three months or less to be cash. The Organization places its cash in high credit quality institutions. At various times during the years, the Organization had cash balances in excess of the federally insured limit in deposit accounts at local banks. For the fiscal administration of the Family Driven Family Support Service (FDFSS) program, amounts are recorded for cash, receivables, and line of credit (see Note 8).

Contracts and Other Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2023 and 2022 was \$50,919 and \$25,363, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pledges receivable

Pledges receivable are recognized when the donor makes a promise to give that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible monies receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made. All receivables are collectible within one year and no allowance for uncollectible pledges is recorded, as management deems all pledges as collectible.

Investments

Investments in equity securities, exchange-traded and closed-end funds, and corporate bonds with readily determinable fair values are measured at fair value in the statements of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Leases

The Organization leases office space, copiers and a postage machine. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they 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. This evaluation may require significant judgment. The office space and storage unit are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

The Organization elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

The Organization elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases - continued

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, and at estimated fair market value at date of donation, if donated. The Organization's policy is to capitalize any assets in excess of \$5,000 with an estimated useful life of more than one year. Buildings and equipment are being depreciated over their estimated useful lives by the straight-line method as follows:

Buildings and improvements	3 - 50 years
Leasehold improvements	5 - 39 years
Furniture and equipment	3 - 10 years

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net assets - continued

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), which applies to exchange transactions with customers that are bound by contract or similar arrangement and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities:

Fee for Service Contracts

The Organization contracts with the Department of Human Services (DHS) and counties to provide early intervention service, the Office of Development Programs (ODP) for community habilitation services, and insurance companies for outpatient therapy services. The funding sources set the payment rate and determines the individuals who will receive services. Revenue is recognized as the services are provided. Accounts receivable, net of insurance reserve at July 1, 2021 was \$355,615. Accounts receivable, net of insurance reserve at June 30, 2023 and 2022 was \$474,497 and \$396,870, respectively.

Program Services Fees

The Organization provides program services to individuals for camp and recreation programs. Program fees must be paid in full at the time of registration. Funds provided in advance are recorded as deferred contract revenue until qualifying services were provided to the individual. Revenue is recognized as the programs are provided. Deferred revenue at June 30, 2023 and 2022 was \$98,333 and \$60,415, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statements of activities. The performance obligation is delivery of the event. For special event fees received before year-end for an event to occur after year end, the Organization treats the inherent contribution as conditional on the event taking place and is therefore treated as deferred revenue along with the exchange component. Deferred revenue at June 30, 2023 and 2022 was \$0 and \$86,700, respectively.

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

Unconditional contributions or conditional contributions in which the conditions have been substantially met, or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized.

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets - continued

Contributed nonfinancial assets are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers, which include the directors of the Organization, have made significant contributions of their time toward developing and achieving the Organization's goals and objectives. However, no amounts have been included in the financial statements for donated director or volunteer services, since they do not meet the criteria for recognition.

Functional Expense Allocations

As reported in the statements of functional expenses, expenses of the Organization have been allocated to the following functional expense reporting categories: programs services, management and general, and fundraising.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies, and other objective bases.

Tax Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through May 15, 2024, the date the financial statements were available to be issued.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Adoption of Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for their existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Organization also elected the practical expedients disclosed in the lease policy footnote on page 11.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (beginning of the year of adoption) operating lease liabilities of \$397,691, which represents the present value of the remaining operating lease payments of \$423,722, discounted using the risk-free rate, and right-of-use assets of \$397,691.

The standard did have a material impact on the Organization's statements of financial position but did not have a material impact on the Organization's statements of activities or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 - PROGRAM SERVICES

Easterseals Eastern Pennsylvania creates life-changing solutions for individuals with disabilities and their families in their community by increasing independence, maximizing opportunities, minimizing barriers and enhancing quality of life.

We strive to provide innovative, inclusive and individualized support with warmth, respect and expertise. We recognize that individuals with disabilities and their families have choices. For each of our key services, there are others who provide the same or similar service. Easterseals strongly supports having choice in the community, so that individuals are able to select services that best meet their needs. It is our ability to deliver on our promise of innovation, inclusion and excellence that differentiates Easterseals as a provider of choice.

Early Childhood:

Early Intervention (EI) physical, occupational and speech therapists and developmental specialists work directly with children under age 3 to identify delays and disabilities, and coach their parents on strategies they can implement to promote development throughout their child's normal day. Since brain development is at its peak during the first five years, intervention occurs when it does the most good. EI is delivered wherever the child spends his or her day and is provided at no cost to families.

Outpatient Therapy:

Outpatient therapy is available at our center in Reading, Berks County. Children and teens receive occupational therapy and speech therapy to develop skills in communication, coordination, handwriting, sensory integration, and social skills. Physical therapy helps children learn how to walk, improve balance, use a walker or wheelchair, and even ride a bike.

Specialty Clinics:

Orthopedic, neurology and orthotic (specialty brace) clinics are offered to children at our center in Reading by specialists from Philadelphia and Berks County to help families manage their child's care right here in our community. There is no cost for families and Spanish translation is available.

Autism Diagnostic Clinics are offered to children 18 months to 3-years old in collaboration with Children's Hospital of Philadelphia and St. Christopher's Hospital for Children using a telehealth model. Provided at no cost to families.

Applied Behavioral Analysis (ABA) Parent Coaching is available for families with a child recently diagnosed with autism. Parents learn how ABA therapy can benefit their child, basic techniques for common behaviors, and more. Provided at no cost to families.

Recreation:

Camp Lily-Lehigh Valley and Camp Lily-Berks are summer day camps offered in a series of one-week sessions, Monday-Friday, for six weeks in July and August. Children age 8 through 21 enjoy a full schedule of arts and crafts activities, outdoor sports, swimming, music, games, science exploration and guests teaching special topics.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 2 - PROGRAM SERVICES - CONTINUED

Easterseals Camp Growing Green is an overnight summer camp for children and adults with disabilities held at the Pocono Environmental Education Center. Campers participate in environmentally focused activities as well as typical camp activities such as hiking, canoeing, sports and arts & crafts. An optional career experience track is available for campers who want to explore career opportunities. Camp is offered in a series of one-week sessions, Sunday-Friday, for six weeks in July and August.

Weekend Respite Camp provides two days and two nights of overnight fun at the Pocono Environmental Education Center. Modeled after our successful overnight summer camp, activities include arts & crafts, birdwatching, hiking, animal studies, recreation and more. Offered in the spring and fall for ages 10 to adult.

Hang Time is an evening recreation program that allows teens and young adults to meet up weekly to socialize, make new friends and enjoy fun activities. Hang Time is offered in 8-week sessions from October through May, and serves the residents of Berks County.

Career Pathways:

LEAP (Learn, Earn, Achieve and Practice) is a comprehensive employment preparation experience for youth with disabilities, ages 16-21, who attend school and are eager to work and earn a paycheck. It combines workplace and independent living skills instruction with paid work experience to provide participants with the skills they need to transition more successfully into adulthood.

Fiscal Administration:

Easterseals provides fiscal administration for family directed support services for Northampton and Lehigh Counties. These are pass-through programs where pre-approved funds are paid to the consumer on behalf of the county.

Community Programs:

Make the First Five Count is a grant-funded program that offers the tools needed to evaluate and track a child's progress, celebrate their development, act early if there is a concern and support parents. Developmental screenings, workshops for parents, and individualized learning sessions are available at no cost. Screenings are conducted in partnership with community organizations and parents and caregivers everywhere can access them on our website.

Community Support Services:

Community Supports/Habilitation offers community-based activities and supports for adults with intellectual and developmental disabilities with the goal of fostering independence and enrichment. Each participant receives individual assistance to engage in a variety of activities, from performing the functions of daily living to volunteering and pursuing educational, social and recreation opportunities.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE

Investments at June 30 are summarized below:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 790,662	\$ 790,662	\$ 1,034,888	\$ 1,034,888
Equity securities - US	570,490	932,762	564,388	809,020
Equity securities - international	3,028	8,237	3,028	6,627
Exchanged-traded and closed-end funds	486,755	496,567	429,933	381,065
Corporate bonds	2,775	2,385	2,988	2,694
	<u>\$ 1,853,710</u>	<u>\$ 2,230,613</u>	<u>\$ 2,035,225</u>	<u>\$ 2,234,294</u>

Investment return is as follows at June 30:

	2023	2022
Without donor restrictions:		
Interest and dividend income	\$ 43,068	\$ 16,328
Realized gain on investments	(25,038)	53,196
Unrealized gain (loss) on investments	159,883	(253,844)
Investment fees	(14,607)	(15,365)
With donor restrictions:		
Interest income	3,639	11
Unrealized gain (loss) on investments	<u>11,374</u>	<u>(21,057)</u>
	<u>\$ 178,319</u>	<u>\$ (220,731)</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE - CONTINUED

Generally accepted accounting principles require the use of fair value measurements. That framework 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 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2:* Inputs to the valuation methodology include:
- Quoted prices for similar assets and liabilities in active markets;
 - Quoted prices for identical or similar assets and 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.
- Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 used need to maximize the use of 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 at June 30, 2023 and 2022.

Investments

Morgan Stanley Smith Barney holds the investments of Easterseals Eastern Pennsylvania in accordance with the investment policy of Easterseals Eastern Pennsylvania. The policy restricts the investments to cash, fixed income, equity securities, and exchange-traded and closed-end funds which are publicly traded. The investments are valued at the quoted market price for shares held at year end.

Beneficial Interests in Perpetual Trusts

Easterseals Eastern Pennsylvania is the beneficiary of several trusts which are managed by three banks. The banks hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate debt securities, equity securities, mutual funds and fixed income mutual funds. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of funds held at year end.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE - CONTINUED

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the banks 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, Easterseals Eastern Pennsylvania's assets at fair value as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Equity securities - US	\$ 932,762	\$ -	\$ -	\$ 932,762
Equity securities - International	8,237	-	-	8,237
Exchange-traded and closed-end funds	496,567	-	-	496,567
Corporate bonds	2,385	-	-	2,385
Total investments, at market	1,439,951	-	-	1,439,951
Beneficial interests in perpetual trusts	-	-	466,394	466,394
Total	\$ 1,439,951	\$ -	\$ 466,394	\$ 1,906,345

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities - US	\$ 809,020	\$ -	\$ -	\$ 809,020
Equity securities - International	6,627	-	-	6,627
Exchange-traded and closed-end funds	381,065	-	-	381,065
Corporate bonds	2,694	-	-	2,694
Total investments, at market	1,199,406	-	-	1,199,406
Beneficial interests in perpetual trusts	-	-	457,436	457,436
Total	\$ 1,199,406	\$ -	\$ 457,436	\$ 1,656,842

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 3 - INVESTMENTS AND FAIR VALUE - CONTINUED

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 457,436	\$ 561,210
Realized and unrealized gains (losses)	<u>8,958</u>	<u>(103,774)</u>
Balance, end of year	<u><u>\$ 466,394</u></u>	<u><u>\$ 457,436</u></u>

NOTE 4 - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS

Easterseals Eastern Pennsylvania is a beneficiary of six irrevocable trusts held by various trust departments of financial institutions. The Organization recorded its proportionate share of the fair market value of the principal of each trust when received. Agreement terms provide that Easterseals Eastern Pennsylvania receives its proportionate share of the net income earned by the funds held in trust. Distributions from the trusts are recorded as trust income in net assets without donor restrictions and amounted to \$20,594 and \$19,694 for the years ended June 30, 2023 and 2022, respectively. The value of the trusts recorded is \$466,394 and \$457,436 at June 30, 2023 and 2022, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - LEASES

The Organization leases office space, copiers and a postage machine. The leases have remaining lease terms of 3 to 44 months.

The Organization included the following amounts related to operating lease assets and liabilities within the statements of financial position as of June 30:

		<u>2023</u>
Assets:	Classification	
Right-of-use assets	Operating leases	\$ 309,570
Liabilities:		
Current		
Operating lease	Operating lease liabilities	\$ 85,757
Noncurrent		
Operating lease	Operating lease liabilities	<u>226,184</u>
	Total lease liabilities	<u><u>\$ 311,941</u></u>

The components of lease expense were as follows for the year ended June 30, 2023:

Operating lease expense	\$ 98,215
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Supplemental cash flow information related to leases was as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 95,844
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 397,691

Supplemental balance sheet information related to leases was as follows:

Weighted Average Remaining Lease Term:	
Operating leases	3.55 years
Weighted Average Discount Rate:	
Operating leases	2.88%

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 5 - LEASES - CONTINUED

Maturities of operating lease liabilities are as follows for the years ending June 30:

2024	\$ 93,376
2025	92,576
2026	85,126
2027	<u>56,800</u>
Total lease payments	327,878
Less: present value discount	<u>(15,937)</u>
Total	<u>\$ 311,941</u>

The Organization has not restated prior year information for the adoption of ASC 842. The following table presented future minimum lease payments under non-cancellable operating leases under ASC 840 at June 30, 2022:

2023	\$ 95,844
2024	93,376
2025	92,576
2026	85,126
2027	<u>56,800</u>
	<u>\$ 423,722</u>

NOTE 6 - LINE OF CREDIT

During the years ended June, 30, 2023 and 2022, the Organization had a \$500,000 available line of credit with a bank to be drawn upon as needed. Interest rate is based on a variable rate and was 4.64% as of June 30, 2022. The note was secured by the investments held at the bank. In April 2023, the line of credit was terminated. The balance was \$0 for both of the years ended June 30, 2023 and 2022.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 7 - LINE OF CREDIT - FDFSS FUNDS

The Organization processes payments on behalf of Lehigh and Northampton Counties for individuals eligible for family support services.

Effective June 2011, the Organization entered into a line of credit in the amount of \$75,000. The outstanding balance was \$74,025 and \$49,025 for the years ended June 30, 2023 and 2022, respectively. Interest is charged at 0.75% above the prime rate (8.75% - 2023 and 4.75% - 2022). The note is secured by a first priority security interest in the personal property of the Organization. The line is utilized only to pay the obligations of the FDFSS voucher program for Lehigh and Northampton Counties. Available cash held by the bank in the name of the Organization as of June 30, 2023 and 2022 was (\$6,588) and \$35,466, respectively. Receivable due for the program as of June 30, 2023 and 2022 was \$55,613 and \$13,559, respectively.

Interest expense for the years ended June 30, 2023 and 2022 was \$4,877 and \$2,101, respectively.

NOTE 8 - NET ASSETS

Net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Undesignated	2,634,647	2,562,970
Designated for endowment	<u>\$ 594,029</u>	<u>\$ 547,339</u>
Total net assets without donor restrictions	<u>\$ 3,228,676</u>	<u>\$ 3,110,309</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 8 - NET ASSETS - CONTINUED

Net assets with donor restrictions are comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Time or purpose:		
Clinic funds	\$ 9,040	\$ 9,040
Camp funds	15,670	15,370
Make the first five count	24,251	18,657
Habilitation programs	9,450	4,650
Camp Lily Berks improvements	-	17,936
George Street capital improvements	52,000	-
Subtotal time or purpose	<u>110,411</u>	<u>65,653</u>
Perpetuity:		
Endowment funds	246,544	231,531
Beneficial interests in perpetual trusts	466,394	457,436
Subtotal perpetuity	<u>712,938</u>	<u>688,967</u>
Total net assets with donor restrictions	<u><u>\$ 823,349</u></u>	<u><u>\$ 754,620</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the related purposes specified by the donor as follows at June 30:

	<u>2023</u>	<u>2022</u>
Camp scholarships	\$ -	\$ 5,980
Camp funds	1,200	1,000
Make the first five count	8,728	7,760
Habilitation programs	2,740	-
Camp Lily Berks improvements	17,936	-
	<u><u>\$ 30,604</u></u>	<u><u>\$ 14,740</u></u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

In January 2021, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$350,000 at a fixed rate of 1.0% per annum, through the United States Small Business Administration by a local bank, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). No payments are due on the loan for 10 months from the date of the first disbursement of this loan and the loan matures five years from the date of the note. The Organization initially recorded a note payable upon receipt of the PPP Loan and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA in September 2021. Loan forgiveness income is recognized in the statements of activities for \$350,000 for the year ended June 30, 2022.

NOTE 10 - EMPLOYEE RETENTION CREDIT

During the year ended June 30, 2022, the Organization applied for and received credits under the Employee Retention Credit (ERC). The ERC is a refundable credit against certain payroll taxes allowed to an eligible employer for qualifying wages, that was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization expects to meet the ERC's eligibility requirement and considers these payments as a conditional grant. Accordingly, the Organization has initially recorded the payments as a refundable advance in accordance with the guidance for conditional contributions and will recognize the grant in the statements of activities when there is no longer a measurable performance or other barrier. The Organization has interpreted the conditions of the grant to be met as of June 30, 2022 and has recognized \$127,138 in employee retention credit contributions in the statements of activities.

NOTE 11 - ENDOWMENT FUNDS

The Organization's endowment consists of four restricted endowments, of which portions are to be held indefinitely, with the income expendable for the programs of the Organization as specified in the endowment restrictions, and one board-restricted endowment fund available for spending in accordance with the Organization's policy. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 11 - ENDOWMENT FUNDS - CONTINUED

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the laws of the Commonwealth of Pennsylvania 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 with donor restrictions, in perpetuity (a) the original value of gift donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. In accordance with the laws of the Commonwealth of Pennsylvania, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Objectives

The purpose of establishing an investment policy asset mix is to construct a target or "normal" set of investments, well diversified among suitable asset classes that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

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. Under this policy, as approved by the board of directors, the endowment assets are invested at a maximum of 60% in equities with no minimum investment required. Investment mix will be adjusted based on recommendations from the investment manager based upon market conditions. The Organization expects its endowment funds, over time, to provide an average rate of return that exceeds the price and yield results of the S&P 500 for core domestic equity holdings, and Barclays Capital Government/Corporate Intermediate Index for fixed income. The endowment earnings will be used to preserve and enhance the inflation-adjusted purchasing power of the fund. The Organization's actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total investment strategy in which investments' 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 an emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

EASTERSEALS EASTERN PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS****June 30, 2023 and 2022****NOTE 11 - ENDOWMENT FUNDS - CONTINUED****Spending Policy**

The Organization's spending policy allows 2% to 7% of the market value of invested restricted assets averaged over the last 3 years. The finance committee is authorized to increase the spending rate as necessary on a temporary basis and with a justifiable cause. The Vice President of Finance and Administration, has the authority to withdraw funds in excess of the 5% spending rule for short-term cash flow needs with approval of the CEO.

Underwater Endowment Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the director of the applicable donor gift instrument. The Organization has no underwater endowment funds at June 30, 2023 and 2022.

The changes in endowment net assets are as follows:

Endowment Net Asset Composition by Type of Funds as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-restricted endowment funds	\$ 594,029	\$ -	\$ 594,029
Donor-restricted endowment funds	-	246,544	246,544
Total funds	<u>\$ 594,029</u>	<u>\$ 246,544</u>	<u>\$ 840,573</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023:

Endowment net assets, beginning of year	\$ 547,339	\$ 231,531	\$ 778,870
Investment return:			
Investment income	11,511	3,639	15,150
Net appreciation (depreciation)	39,083	11,374	50,457
Total investment return	<u>50,594</u>	<u>15,013</u>	<u>65,607</u>
Administrative fees	<u>(3,904)</u>	<u>-</u>	<u>(3,904)</u>
Endowment net assets, end of year	<u>\$ 594,029</u>	<u>\$ 246,544</u>	<u>\$ 840,573</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 11 - ENDOWMENT FUNDS - CONTINUED

Endowment Net Asset Composition by Type of Funds as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-restricted endowment funds	\$ 547,339	\$ -	\$ 547,339
Donor-restricted endowment funds	-	231,531	231,531
Total funds	<u>\$ 547,339</u>	<u>\$ 231,531</u>	<u>\$ 778,870</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022:

Endowment net assets, beginning of year	\$ 613,370	\$ 252,577	\$ 865,947
Investment return:			
Investment income	4,884	11	4,895
Net appreciation (depreciation)	(66,319)	(21,057)	(87,376)
Total investment return	<u>(61,435)</u>	<u>(21,046)</u>	<u>(82,481)</u>
Administrative fees	<u>(4,596)</u>	-	<u>(4,596)</u>
Endowment net assets, end of year	<u>\$ 547,339</u>	<u>\$ 231,531</u>	<u>\$ 778,870</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

Easterseals Eastern Pennsylvania is an autonomous, community-based, nonprofit organization, which is an intermediary affiliate of National Easterseals Society, Inc. (Easterseals national headquarters). Membership fees paid to the national organization are calculated in accordance with a fee formula established by the national board of directors. Easterseals, Inc. provides maintenance of a nationwide recognition of Easterseals, consultation services for programs and facilities, training, and various other services for affiliated organizations. Dues incurred and paid during the years ended June 30, 2023 and 2022 were \$45,000 and \$44,777, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 13 - EDUCATIONAL IMPROVEMENT ORGANIZATION

The Organization was approved as an Educational Improvement Organization under the Pennsylvania Educational Improvement Tax Credit program for the fiscal years ended June 30, 2023 and 2022. Total contributions received under this program for both the years June 30, 2023 and 2022 were \$42,500. The contributions were spent on the qualifying programs, Growing Green Summer Residential Camp and LEAP (Learning Enrichment and Partnerships), during each of the years ended June 30, 2023 and 2022. The Organization was approved as a qualifying Educational Improvement Organization for the 2023 and 2024 calendar years.

NOTE 14 - CONTRIBUTED NONFINANCIAL ASSETS

The value of contributed nonfinancial assets provided by local businesses and individuals to benefit the Organization included with revenue in the financial statements and the corresponding expenses are as follows for the years ended June 30:

	2023	2022
Common area maintenance	\$ -	\$ 6,000
Fundraising event supplies	5,195	-
Program supplies	1,159	1,324
	<u>\$ 6,354</u>	<u>\$ 7,324</u>

Valuation Techniques:

Contributed services and materials are recognized as contributed nonfinancial assets at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Donated materials and supplies valued at current prices for similar items.

Donor Restrictions:

There are no restrictions on contributed nonfinancial assets at year end. The Organization does not sell contributed materials and the services were provided for the Organization's programs.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 15 - RETIREMENT PLAN

The Organization has a retirement plan under which employees may defer a portion of their annual compensation, pursuant to Section 401(k) of the Internal Revenue Code. At its discretion, the Organization may contribute up to 2% of eligible employee wages to the plan and may also match employee contributions up to a maximum of 4% of compensation deposited as elective contributions.

Employees eligible for contributions from the Organization must have attained age 21, completed a minimum of two years of service, and worked at least 1,000 hours during the plan year. Contributions to the plan by the Organization for the years ended June 30, 2023 and 2022 were \$5,440 and \$8,803, respectively.

NOTE 16 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

During the years, the Organization also received a number of grants, which were used to purchase equipment. Under terms of the agreement, the equipment must be used to meet program objectives and there also exists a reversionary interest in this equipment.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 17 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2023 and 2022 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. The Organization's financial assets include cash, contract and other accounts receivables, pledge receivables, investments, and beneficial interest in perpetual trusts. The Organization has restricted funds and board designated funds.

	2023	2022
Cash	\$ 519,151	\$ 445,700
Contracts and other accounts receivable	474,497	396,870
Pledges receivable	41,193	62,835
Investments	2,230,613	2,234,294
Beneficial interests in perpetual trusts	466,394	457,436
Total financial assets available	3,731,848	3,597,135
Less amounts not available due to contractual, board designated, or donor-imposed restrictions:		
Board designated funds	(594,029)	(547,339)
Donor time or purpose restrictions	(110,411)	(65,653)
Donor restricted in perpetuity	(712,938)	(688,967)
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,314,470</u>	<u>\$ 2,295,176</u>

As part of the Organization's liquidity management, it invests cash in excess of monthly requirements in short-term investments through their investment account.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848), as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain LIBOR rates beginning December 31, 2021, with complete elimination of the publication of the LIBOR rates by June 30, 2023. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2024, with early adoption permitted. The Organization is evaluating the impact this guidance will have on their financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326) - *Measurement of Credit Losses on Financial Instruments*, which changes the way companies evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model to evaluate impairment, potentially resulting in earlier recognition of allowances for losses. Enhanced disclosures are also required, including the requirement to disclose the information used to track credit quality by year or origination for most financing receivables. The new standard is effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the impact that the guidance will have on their financial statements and related disclosures.

SUPPLEMENTARY INFORMATION

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
LEHIGH COUNTY MH/EI/DD**

For the Year Ended June 30, 2023

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Lehigh County Base	\$ 9,265	\$ 28,142	\$ 5,309	\$ 124,185	\$ 166,901
Lehigh County Waiver	-	-	-	47,430	47,430
Lehigh County MA	20,820	146,596	40,842	-	208,258
TOTAL REVENUES	30,085	174,738	46,151	171,615	422,589
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	4,111	23,880	6,307	26,612	60,910
Benefits	292	1,695	448	1,889	4,324
Payroll taxes	385	2,237	591	2,492	5,705
Independent contractor/staffing costs	20,250	130,023	29,256	97,319	276,848
Total Employment and Service Provider Costs	25,038	157,835	36,602	128,312	347,787
OPERATING EXPENSES:					
Consultant and contracted services	1,724	10,012	2,644	11,157	25,537
Supplies	135	786	207	876	2,004
Postage and shipping	-	3	1	3	7
Conferences and meetings	2	11	3	12	28
Employee expense reimbursements	35	203	54	227	519
Miscellaneous operating expenses	33	193	51	214	491
Equipment rental and maintenance	47	274	72	305	698
Membership dues and fees	14	80	21	90	205
Total Operating Expenses	1,990	11,562	3,053	12,884	29,489
GENERAL EXPENSES:					
Telephone	35	204	54	228	521
Occupancy	653	3,792	1,001	4,225	9,671
Insurance	45	261	69	291	666
Bad debt	735	4,268	1,127	4,757	10,887
Total General Expenses	1,468	8,525	2,251	9,501	21,745
DIRECT PROGRAM EXPENSES	28,496	177,922	41,906	150,697	399,021
ALLOCATED MANAGEMENT AND GENERAL	3,429	19,918	5,260	22,196	50,803
TOTAL EXPENSES	31,925	197,840	47,166	172,893	449,824
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (1,840)	\$ (23,102)	\$ (1,015)	\$ (1,278)	\$ (27,235)
UNITS OF SERVICE					
Lehigh County Base	267	811	153	4,061	5,292
Lehigh County Waiver	-	-	-	1,551	1,551
Lehigh County MA	600	4,225	1,177	-	6,002
Total Units of Service	867	5,036	1,330	5,612	12,845
UNIT COST	\$ 36.82	\$ 39.29	\$ 35.46	\$ 30.81	

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
NORTHAMPTON COUNTY MH/EI/DD**

For the Year Ended June 30, 2023

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Northampton County Base	\$ 12,353	\$ 29,079	\$ 55,763	\$ 58,744	\$ 155,939
Northampton County Waiver	-	-	-	5,199	5,199
Northampton County MA	20,681	51,842	38,256	-	110,779
TOTAL REVENUES	33,034	80,921	94,019	63,943	271,917
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	4,514	11,134	12,855	9,915	38,418
Benefits	320	790	912	704	2,726
Payroll taxes	423	1,043	1,204	929	3,599
Independent contractor/staffing costs	22,235	60,622	59,633	36,261	178,751
Total Employment and Service Provider Costs	27,492	73,589	74,604	47,809	223,494
OPERATING EXPENSES:					
Consultant and contracted services	1,893	4,668	5,390	4,157	16,108
Supplies	149	366	423	326	1,264
Postage and shipping	1	1	1	1	4
Conferences and meetings	2	5	5	5	17
Employee expense reimbursements	38	95	110	84	327
Miscellaneous operating expenses	37	90	104	80	311
Equipment rental and maintenance	52	128	147	114	441
Membership dues and fees	15	37	44	33	129
Total Operating Expenses	2,187	5,390	6,224	4,800	18,601
GENERAL EXPENSES:					
Telephone	39	95	110	85	329
Occupancy	716	1,770	2,041	1,574	6,101
Insurance	49	122	141	108	420
Bad debt	787	1,929	2,241	1,730	6,687
Total General Expenses	1,591	3,916	4,533	3,497	13,537
DIRECT PROGRAM EXPENSES	31,270	82,895	85,361	56,106	255,632
ALLOCATED MANAGEMENT AND GENERAL	3,765	9,286	10,722	8,270	32,043
TOTAL EXPENSES	35,035	92,181	96,083	64,376	287,675
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (2,001)	\$ (11,260)	\$ (2,064)	\$ (433)	\$ (15,758)
UNITS OF SERVICE					
Northampton County Base	356	838	1,607	1,921	4,722
Northampton County Waiver	-	-	-	170	170
Northampton County MA	596	1,494	1,102	-	3,192
Total Units of Service	952	2,332	2,709	2,091	8,084
UNIT COST	\$ 36.80	\$ 39.53	\$ 35.47	\$ 30.79	

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
CARBON, MONROE, PIKE JOINDER MH/EI/DD**

For the Year Ended June 30, 2023

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Carbon, Monroe, Pike Joinder Base	\$ 37,858	\$ 17,350	\$ 28,870	\$ 57,980	\$ 142,058
Carbon, Monroe, Pike Joinder Waiver	-	-	-	14,372	14,372
Carbon, Monroe, Pike Joinder MA	31,716	47,209	26,684	-	105,609
TOTAL REVENUES	69,574	64,559	55,554	72,352	262,039
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	9,508	8,810	7,592	11,219	37,129
Benefits	675	625	539	796	2,635
Payroll taxes	890	825	711	1,051	3,477
Independent contractor/staffing costs	46,829	47,971	35,217	41,030	171,047
Total Employment and Service Provider Costs	57,902	58,231	44,059	54,096	214,288
OPERATING EXPENSES:					
Consultant and contracted services	3,986	3,694	3,183	4,704	15,567
Supplies	313	290	250	369	1,222
Postage and shipping	1	1	1	1	4
Printing and advertising	-	1	-	-	1
Conferences and meetings	4	4	3	5	16
Employee expense reimbursements	81	75	65	96	317
Miscellaneous operating expenses	77	71	60	90	298
Equipment rental and maintenance	109	101	87	129	426
Membership dues and fees	32	30	26	38	126
Total Operating Expenses	4,603	4,267	3,675	5,432	17,977
GENERAL EXPENSES:					
Telephone	81	75	65	96	317
Occupancy	1,510	1,399	1,205	1,781	5,895
Insurance	104	96	83	123	406
Bad debt	2,191	2,033	1,750	2,586	8,560
Total General Expenses	3,886	3,603	3,103	4,586	15,178
DIRECT PROGRAM EXPENSES	66,391	66,101	50,837	64,114	247,443
ALLOCATED MANAGEMENT AND GENERAL	7,930	7,348	6,332	9,358	30,968
TOTAL EXPENSES	74,321	73,449	57,169	73,472	278,411
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (4,747)	\$ (8,890)	\$ (1,615)	\$ (1,120)	\$ (16,372)
UNITS OF SERVICE					
Carbon, Monroe, Pike Joinder Base	1,091	500	832	1,896	4,319
Carbon, Monroe, Pike Joinder Waiver	-	-	-	470	470
Carbon, Monroe, Pike Joinder MA	914	1,360	769	-	3,043
Total Units of Service	2,005	1,860	1,601	2,366	7,832
UNIT COST	\$ 37.07	\$ 39.49	\$ 35.71	\$ 31.05	

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
SERVICE ACCESS MANAGEMENT (BERKS COUNTY MH/EI/DD)**

For the Year Ended June 30, 2023

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Service Access Management Base	\$ 31,334	\$ 58,886	\$ 73,876	\$ 95,715	\$ 259,811
Service Access Management Waiver	-	-	-	33,302	33,302
Service Access Management MA	69,435	175,170	69,018	-	313,623
TOTAL REVENUES	100,769	234,056	142,894	129,017	606,736
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	9,585	35,405	13,437	11,068	69,495
Benefits	912	4,294	1,155	1,184	7,545
Payroll taxes	852	3,172	1,195	1,222	6,441
Independent contractor/staffing costs	69,184	140,105	93,103	84,650	387,042
Total Employment and Service Provider Costs	80,533	182,976	108,890	98,124	470,523
OPERATING EXPENSES:					
Consultant and contracted services	6,035	14,018	8,558	8,766	37,377
Supplies	928	2,191	1,315	1,347	5,781
Postage and shipping	2	5	3	3	13
Printing and advertising	1	1	2	2	6
Conferences and meetings	143	333	201	204	881
Employee expense reimbursements	15	114	22	20	171
Miscellaneous operating expenses	253	708	359	372	1,692
Equipment rental and maintenance	627	1,456	889	910	3,882
Membership dues and fees	32	74	45	46	197
Total Operating Expenses	8,036	18,900	11,394	11,670	50,000
GENERAL EXPENSES:					
Telephone	522	1,212	740	761	3,235
Occupancy	2,364	5,492	3,353	3,437	14,646
Insurance	649	1,508	921	944	4,022
Depreciation	1,321	3,069	1,874	1,919	8,183
Total General Expenses	4,856	11,281	6,888	7,061	30,086
DIRECT PROGRAM EXPENSES	93,425	213,157	127,172	116,855	550,609
ALLOCATED MANAGEMENT AND GENERAL	11,670	27,105	16,548	16,954	72,277
TOTAL EXPENSES	105,095	240,262	143,720	133,809	622,886
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (4,326)	\$ (6,206)	\$ (826)	\$ (4,792)	\$ (16,150)
UNITS OF SERVICE					
Service Access Management Base	903	1,697	2,129	3,130	7,859
Service Access Management Waiver	-	-	-	1,089	1,089
Service Access Management MA	2,001	5,048	1,989	-	9,038
Total Units of Service	2,904	6,745	4,118	4,219	17,986
UNIT COST	\$ 36.19	\$ 35.62	\$ 34.90	\$ 31.72	

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
LEBANON COUNTY MH/EI/DD**

For the Year Ended June 30, 2023

	Physical Therapy
REVENUES	
Lebanon Base	\$ 7,669
Lebanon MA	<u>17,405</u>
TOTAL REVENUES	25,074
EXPENSES	
EMPLOYMENT AND SERVICE PROVIDER COSTS:	
Salaries and compensation	2,383
Benefits	227
Payroll taxes	212
Independent contractor/staffing costs	<u>17,200</u>
Total Employment and Service Provider Costs	<u>20,022</u>
OPERATING EXPENSES:	
Consultant and contracted services	1,500
Supplies	231
Conferences and meetings	36
Employee expense reimbursements	4
Miscellaneous operating expenses	63
Equipment rental and maintenance	156
Membership dues and fees	<u>8</u>
Total Operating Expenses	<u>1,998</u>
GENERAL EXPENSES:	
Telephone	130
Occupancy	588
Insurance	161
Depreciation	<u>329</u>
Total General Expenses	<u>1,208</u>
DIRECT PROGRAM EXPENSES	23,228
ALLOCATED MANAGEMENT AND GENERAL	<u>2,901</u>
TOTAL EXPENSES	<u>26,129</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>\$ (1,055)</u></u>
UNITS OF SERVICE	
Lebanon County Base	221
Lebanon County MA	<u>501</u>
Total Units of Service	<u><u>722</u></u>
UNIT COST	<u><u>\$ 36.19</u></u>

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES
FOR HOME AND COMMUNITY - HABILITATION PROGRAMS**

For the Year Ended June 30, 2023

	Lehigh County	Northampton County	Berks County	Total
REVENUES				
Lehigh County - HAB	\$ 264,394	\$ -	\$ -	\$ 264,394
Northampton County - HAB	-	305,957	-	305,957
Berks County - HAB	-	-	153,441	153,441
TOTAL REVENUES	264,394	305,957	153,441	723,792
EXPENSES				
EMPLOYMENT AND SERVICE PROVIDER COSTS:				
Salaries and compensation	165,442	191,450	91,467	448,359
Benefits	7,141	8,263	4,295	19,699
Payroll taxes	16,745	19,378	9,929	46,052
Independent contractor/staffing costs	4,369	5,056	4,129	13,554
Total Employment and Service Provider Costs	193,697	224,147	109,820	527,664
OPERATING EXPENSES:				
Consultant and contracted services	16,432	19,015	9,352	44,799
Supplies	4,339	5,022	2,634	11,995
Postage and shipping	18	21	83	122
Printing and advertising	14	16	7	37
Conferences and meetings	2	2	39	43
Employee expense reimbursements	20,591	23,828	12,488	56,907
Miscellaneous operating expenses	408	471	242	1,121
Equipment rental and maintenance	441	510	980	1,931
Membership dues and fees	35	40	75	150
Total Operating Expenses	42,280	48,925	25,900	117,105
GENERAL EXPENSES:				
Telephone	329	381	816	1,526
Occupancy	6,099	7,058	3,699	16,856
Insurance	420	486	1,016	1,922
Depreciation	-	-	2,068	2,068
Bad debt	12,159	15,547	-	27,706
Total General Expenses	19,007	23,472	7,599	50,078
DIRECT PROGRAM EXPENSES	254,984	296,544	143,319	694,847
ALLOCATED MANAGEMENT AND GENERAL	25,244	29,213	3,871	58,328
TOTAL EXPENSES	280,228	325,757	147,190	753,175
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (15,834)	\$ (19,800)	\$ 6,251	\$ (29,383)

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REVENUES AND EXPENSES FOR FDFSS PROGRAM
FISCAL ADMINISTRATION
LEHIGH COUNTY MH/EI/DD AND NORTHAMPTON COUNTY MH/EI/DD**

For the Year Ended June 30, 2023

	<u>Lehigh County</u>	<u>Northampton County</u>	<u>Total</u>
REVENUES			
Fees for service:			
Lehigh County MH/EI/DD	\$ 37,350	\$ -	\$ 37,350
Northampton County MH/EI/DD	-	24,425	24,425
Total Fees for Service	<u>37,350</u>	<u>24,425</u>	<u>61,775</u>
EXPENSES			
PERSONNEL:			
Salaries and compensation	19,181	11,614	30,795
Benefits	1,401	848	2,249
Payroll taxes	1,716	1,039	2,755
Other employment expenses	47	29	76
Total Personnel	<u>22,345</u>	<u>13,530</u>	<u>35,875</u>
OPERATING EXPENSES:			
Consultant and contracted services	8,910	5,394	14,304
Supplies	1,069	647	1,716
Postage and shipping	868	526	1,394
Printing and advertising	7	5	12
Conferences and meetings	11	6	17
Employee expense reimbursements	147	89	236
Miscellaneous operating expenses	732	444	1,176
Interest expense	2,996	1,815	4,811
Equipment rental and maintenance	157	95	252
Total Operating Expenses	<u>14,897</u>	<u>9,021</u>	<u>23,918</u>
GENERAL EXPENSES:			
Telephone	220	134	354
Occupancy	3,463	2,096	5,559
Insurance	1,179	713	1,892
Total General Expenses	<u>4,862</u>	<u>2,943</u>	<u>7,805</u>
Dues to national affiliate	499	302	801
Allocated management and general	<u>750</u>	<u>454</u>	<u>1,204</u>
TOTAL EXPENSES	<u>43,353</u>	<u>26,250</u>	<u>69,603</u>
DEFICIT	<u><u>\$ (6,003)</u></u>	<u><u>\$ (1,825)</u></u>	<u><u>\$ (7,828)</u></u>
COST ALLOCATION BASED ON % OF REVENUE APPLIED TO TOTAL EXPENSES	60.46%	39.54%	

EASTERSEALS EASTERN PENNSYLVANIA

**SCHEDULE OF REIMBURSEMENTS AND CONSUMER COSTS FOR FDFSS VOUCHERS
PROCESSED ON BEHALF OF
LEHIGH COUNTY MH/EI/DD AND NORTHAMPTON COUNTY MH/EI/DD**

For the Year Ended June 30, 2023

	<u>Lehigh County</u>	<u>Northampton County</u>	<u>Total</u>
REVENUES			
Fees for service:			
Lehigh County MH/EI/DD	\$ 163,737	\$ -	\$ 163,737
Northampton County MH/EI/DD	-	198,567	198,567
Total Fees for Service	<u>163,737</u>	<u>198,567</u>	<u>362,304</u>
EXPENSES			
FDFSS Reimbursements:			
Adaptive equipment/appliances	1,216	400	1,616
Camp	16,750	20,685	37,435
Family aide	47,319	60,781	108,100
Family education	120	-	120
Home maker services	2,000	-	2,000
Other FDFSS therapies	28,312	8,990	37,302
Recreation	36,025	76,331	112,356
Respite	31,995	30,319	62,314
Speech therapy	-	1,061	1,061
TOTAL EXPENSES	<u>163,737</u>	<u>198,567</u>	<u>362,304</u>
SURPLUS (DEFICIT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule provides the revenues and expenses for the FDFSS pass-through program. The revenues and expenses are not included in the operating revenues and expenses of Easterseals Eastern Pennsylvania. All revenues and expenses are reported on behalf of Lehigh and Northampton Counties.

**INDEPENDENT AUDITOR'S 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**

**To the Board of Directors
Easterseals Eastern Pennsylvania
Allentown, Pennsylvania**

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 Easterseals Eastern Pennsylvania (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Easterseals Eastern Pennsylvania's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easterseals Eastern Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of Easterseals Eastern Pennsylvania'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-01 that we consider to be significant deficiency.

Report on Compliance and Other Matters

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

Easterseals Eastern Pennsylvania Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Easterseals Eastern Pennsylvania's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Easterseals Eastern Pennsylvania's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 15, 2024**

EASTERSEALS EASTERN PENNSYLVANIA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2023

2023-01 UNTIMELY ACCOUNTS RECEIVABLE RECONCILIATION- SIGNIFICANT DEFICIENCY

Criteria

Management is responsible for establishing a system of internal controls over accounts receivable reconciliations and collections on outstanding invoices. Monthly and year-end account reconciliations and financial closing relating to accounts receivable must be completed timely for appropriate board and management oversight and reporting.

Condition

The Organization's accounts receivable reconciliations were not completed and closed in a timely manner, which caused delayed year-end closing and financial reporting. There was a possible loss of revenue due to timing of reconciliations and updated billing for collections. Significant entries were needed to correct accounts receivable and bad debt expense.

Cause

Significant turnover in finance and accounts receivable personnel within the Organization resulted in accounts receivable not being reconciled in a timely manner.

Effect

The lack of timely accounts receivable reconciliations resulted in significant entries to correct accounts receivable and bad debt expense, possible loss of revenue, and delayed financial information provided to the management and the Board of Directors for the year end close.

Recommendation

We recommend that the Organization review the accounts receivable accounts and collections on invoices on a monthly basis. A billing supervisor or member of management should be reviewing the reconciled accounts receivable accounts, collection reports, and open invoices. The Organization should review their processes and procedures to ensure timely closing of their financial records, allowing for timely completion of the audit.

Management Response

Management agrees with the findings. There was turnover in personnel in the finance and accounts receivable departments and a retroactive rate change requiring numerous services to be re-billed at the new rate, which caused several issues with invoices and subsequent collections. The Organization has contracted out certain duties of the finance department to assist with their monthly and year-end account reconciliations and financial closing procedures. Management and accounts receivable personnel have been reviewing accounts receivable and subsequent collections to ensure billing is up to date and accurate. Uncollectible invoices have been written off and accounts receivable aging report is being monitored.

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SPECIFIED REQUIREMENTS**

**Easterseals Eastern Pennsylvania
Allentown, Pennsylvania**

We have examined Easterseals Eastern Pennsylvania's compliance with the requirements listed in Attachment A during the year ended June 30, 2023. Management of Easterseals Eastern Pennsylvania is responsible for Easterseals Eastern Pennsylvania's compliance with the specified requirements. Our responsibility is to express an opinion on Easterseals Eastern Pennsylvania's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Easterseals Eastern Pennsylvania complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Easterseals Eastern Pennsylvania complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on Easterseals Eastern Pennsylvania's compliance with specified requirements.

In our opinion, Easterseals Eastern Pennsylvania complied, in all material respects, with the requirements listed in Attachment A during the year ended June 30, 2023.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 15, 2024**

EASTERSEALS EASTERN PENNSYLVANIA

ATTACHMENT A

For the Year Ended June 30, 2023

Evaluation of Accounting and Administrative Controls

We have reviewed the accounting and administrative controls of the Organization to determine if controls are in place and operating effectively as required by DHS 51.46 (4300.161b) regulations. We have disclosed no conditions that we believe to be noncompliant by Easterseals Eastern Pennsylvania with regards to the DHS 51.46 (4300.161b) regulations other than items disclosed in the schedule of findings and questioned costs.

Indirect Cost Allocation Plan

Indirect administrative costs of the Organization are allocated according to program and supporting services based on employee time estimates, square footage, or other appropriate usage factors.

In our opinion, based on the audit procedures performed, the methodology for allocation of indirect administrative costs used by the Organization resulted in a fair and equitable distribution of costs, meeting the requirements of DHS 51.99 (4300.94) for the fiscal year ended June 30, 2023.

Contract Conditions and Compliance

1. Revenue and expenditures under a contract consist both of direct costs and allocation of administrative costs. We examined revenues and expenditures under both program-funded and fee-for-service contracts to render our opinion on invoicing based upon terms and conditions of the contract.

In our opinion, based on audit procedures performed, invoicing done by Easterseals Eastern Pennsylvania is based upon terms and conditions negotiated in developing the contract budget or unit costs as required by Title 5S PA Code 4300.26 regulations.

2. As part of our engagement, we have been requested to review compliance with provisions of the contracts, including compliance with allowable cost standards in sections DHS 51.81 through 51.103 (4300.82 through 4300.108) of the Mental Health/Early Intervention/Developmental Disabilities Fiscal Regulations.

Our review of the Organization's compliance with contractual regulations, policies and procedures, which was made for the purpose set forth above, disclosed no matters that we believe to be noncompliant.

3. Fee-for-Service Contracts - We have reviewed the Organization's billing of units of service. We have determined that units of service were actually provided and were billed at the proper rates.
4. We have reviewed the Organization's collection of third-party revenues for medical assistance and other reimbursements to determine if the Organization is collecting such third-party revenues in compliance with the terms of their contracts.

Easterseals Eastern Pennsylvania bills medical assistance and other reimbursement providers, where applicable, on a monthly basis in conjunction with the invoices prepared for each county.

5. By performing the above audit procedures, we have determined that third-party revenues are being properly billed and collected by Easterseals Eastern Pennsylvania.