



EASTERSEALS EASTERN PENNSYLVANIA

FINANCIAL AND COMPLIANCE REPORT

Years Ended June 30, 2022 and 2021



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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, 2022 and 2021, 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 referred to above present fairly, in all material respects, the financial position of Easterseals Eastern Pennsylvania as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

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 (Berk 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 (Berk 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 February 8, 2023, 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
February 8, 2023**

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 445,700	\$ 1,084,121
Cash held - FDFSS program	35,466	29,273
Receivable due - FDFSS program	13,559	19,752
Contracts and other accounts receivable, net of insurance reserve	396,870	355,615
Pledges receivable	62,835	41,832
Prepaid expenses	<u>33,767</u>	<u>37,366</u>
TOTAL CURRENT ASSETS	988,197	1,567,959
INVESTMENTS	2,234,294	1,837,024
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS	457,436	561,210
LAND, BUILDINGS, AND EQUIPMENT		
Land	21,250	21,250
Buildings and improvements	717,744	717,744
Leasehold improvements	60,864	60,864
Equipment	<u>336,793</u>	<u>336,793</u>
	1,136,651	1,136,651
Less: accumulated depreciation	<u>(554,932)</u>	<u>(525,254)</u>
NET LAND, BUILDINGS, AND EQUIPMENT	<u>581,719</u>	<u>611,397</u>
TOTAL ASSETS	<u><u>\$ 4,261,646</u></u>	<u><u>\$ 4,577,590</u></u>

See accompanying notes.

June 30

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit - FDFSS program	\$ 49,025	\$ 49,025
Accounts payable and accrued expenses	105,821	132,975
Accrued payroll and payroll taxes	88,887	121,842
Funds held - CLIU and FSS	5,869	5,869
Deferred revenue	147,115	56,597
Paycheck Protection Program loan	-	350,000
	<u> </u>	<u> </u>
TOTAL CURRENT LIABILITIES	396,717	716,308
NET ASSETS		
Without donor restrictions:		
Undesignated	2,562,970	2,396,174
Board designated	547,339	613,370
Total without donor restrictions	<u>3,110,309</u>	<u>3,009,544</u>
With donor restrictions:		
Restricted for time or purpose	65,653	37,951
Restricted in perpetuity	688,967	813,787
Total with donor restrictions	<u>754,620</u>	<u>851,738</u>
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>3,864,929</u>	<u>3,861,282</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,261,646</u>	<u>\$ 4,577,590</u>

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
REVENUE AND PUBLIC SUPPORT						
Berks County MH/EI/DD revenue	\$ 569,960	\$ -	\$ 569,960	\$ 631,926	\$ -	\$ 631,926
Carbon, Monroe, Pike Counties MH/EI/DD revenue	281,223	-	281,223	279,312	-	279,312
Lebanon County MH/MR	12,465	-	12,465	1,269	-	1,269
Lehigh County MH/EI/DD revenue	452,296	-	452,296	458,583	-	458,583
Lehigh County fiscal administration fees	49,000	-	49,000	45,824	-	45,824
Montgomery County MH/MR	-	-	-	5,122	-	5,122
Northampton County MH/EI/DD revenue	193,046	-	193,046	182,915	-	182,915
Northampton County fiscal administration fees	27,825	-	27,825	30,960	-	30,960
Provider relief funds	87,970	-	87,970	9,285	-	9,285
Fee for services - outpatient therapy	115,216	-	115,216	119,821	-	119,821
Fee for services - Habilitation	686,404	-	686,404	316,920	-	316,920
Camp fees	169,405	-	169,405	21,090	-	21,090
United Way	376,033	-	376,033	371,581	-	371,581
School districts and IU's	11,438	-	11,438	8,655	-	8,655
PA Department of Health	358,532	-	358,532	360,756	-	360,756
Contributions	318,799	42,442	361,241	199,139	8,761	207,900
In-kind contributions	7,324	-	7,324	19,684	-	19,684
Bequests	27,910	-	27,910	73,655	-	73,655
Special events, net of costs of \$1,405 - 2022						
and \$32,161 - 2021	39,472	-	39,472	230,150	-	230,150
Employee retention credit	127,138	-	127,138	-	-	-
Trust income	19,694	-	19,694	21,389	-	21,389
Investment return	(199,685)	(21,046)	(220,731)	280,606	20,330	300,936
Gain (loss) on perpetual trusts	-	(103,774)	(103,774)	-	91,267	91,267
Other income	5,720	-	5,720	7,586	-	7,586
Paycheck Protection Program loan forgiveness	350,000	-	350,000	420,000	-	420,000
Net assets released from restriction	14,740	(14,740)	-	14,648	(14,648)	-
TOTAL REVENUE AND PUBLIC SUPPORT	4,101,925	(97,118)	4,004,807	4,110,876	105,710	4,216,586

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF ACTIVITIES - CONTINUED

Years Ended June 30, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	Without Donor Restrictions	With Donor Restrictions	2021 Total
EXPENSES						
Program Services:						
Early childhood	1,371,900	-	1,371,900	1,371,584	-	1,371,584
Medical rehabilitation	355,931	-	355,931	363,471	-	363,471
Contracted services	10,269	-	10,269	7,751	-	7,751
Vocational rehab	-	-	-	21,187	-	21,187
Clinical services	425,690	-	425,690	429,395	-	429,395
Recreation	322,010	-	322,010	107,688	-	107,688
Fiscal administration	71,389	-	71,389	61,929	-	61,929
Community education	52,895	-	52,895	41,980	-	41,980
In home and community supports	645,566	-	645,566	382,238	-	382,238
Supporting Services:						
Management and general	446,155	-	446,155	405,173	-	405,173
Fundraising	254,578	-	254,578	262,485	-	262,485
Dues to national affiliate	44,777	-	44,777	44,109	-	44,109
TOTAL EXPENSES	4,001,160	-	4,001,160	3,498,990	-	3,498,990
CHANGE IN NET ASSETS	100,765	(97,118)	3,647	611,886	105,710	717,596
NET ASSETS AT BEGINNING OF YEAR	3,009,544	851,738	3,861,282	2,397,658	746,028	3,143,686
NET ASSETS AT END OF YEAR	\$ 3,110,309	\$ 754,620	\$ 3,864,929	\$ 3,009,544	\$ 851,738	\$ 3,861,282

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	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	\$ 210,075	\$ 195,249	\$ 656	\$ 13,665	\$ 133,297	\$ 54,336	\$ 38,598	\$ 6,287	\$ 261,538	\$ 913,701	\$ 205,558	\$ 182,336	\$ 1,301,595
Benefits	25,062	16,707	81	2,407	8,801	2,595	3,467	1,412	22,096	82,628	14,252	6,397	103,277
Payroll taxes	18,039	17,544	55	1,143	11,550	5,495	3,274	520	25,534	83,154	15,879	14,753	113,786
Independent contractor/ staffing costs	982,337	78,852	6,280	-	108,066	8,573	59	24,395	8,544	1,217,106	20,914	36	1,238,056
TOTAL EMPLOYMENT EXPENSES	1,235,513	308,352	7,072	17,215	261,714	70,999	45,398	32,614	317,712	2,296,589	256,603	203,522	2,756,714
OPERATING EXPENSES													
Consultant and contracted services	28,920	10,000	159	1,150	126,804	1,872	4,214	628	6,274	180,021	35,547	2,551	218,119
Supplies	15,191	4,467	38	1	4,410	10,377	1,658	268	11,989	48,399	9,382	2,345	60,126
Postage and shipping	189	149	-	21	101	351	1,473	1	73	2,358	250	1,945	4,553
Printing and advertising	393	24	1	-	26	102	141	6,451	126	7,264	1,691	19,922	28,877
Conferences and meetings	262	605	1	(150)	368	(272)	26	6	56	902	2,482	476	3,860
Employee expense	170	28	1	275	30	1,043	136	2	27,805	29,490	168	793	30,451
Consumer transportation	-	-	-	-	-	-	-	-	-	-	166	-	166
Camperships	-	-	-	-	-	10,420	-	-	-	10,420	-	-	10,420
Miscellaneous operating expenses	4,468	661	15	2,658	7,790	1,118	-	56	1,012	17,778	9,248	4,810	31,836
Interest expense	565	356	2	-	386	20	2,070	16	46	3,461	-	-	3,461
Equipment rental and maintenance	19,257	13,461	104	4	6,332	1,183	2,109	437	3,804	46,691	41,110	4,593	92,394
Membership dues and fees	572	647	1	-	165	2,464	142	8	137	4,136	997	904	6,037
TOTAL OPERATING EXPENSES	69,987	30,398	322	3,959	146,412	28,678	11,969	7,873	51,322	350,920	101,041	38,339	490,300
GENERAL EXPENSES													
Telephone expense	4,905	1,920	25	1	2,084	689	444	119	815	11,002	1,756	690	13,448
Occupancy expense	46,313	9,370	267	9	10,172	2,974	5,727	969	10,799	86,600	31,125	12,230	129,955
Insurance expense	5,091	2,352	24	1	2,553	1,922	1,730	130	719	14,522	14,204	5,668	34,394
Depreciation expense	9,775	11,079	41	2	6,460	2,426	55	275	871	30,984	444	-	31,428
Bad debt	-	-	-	-	-	-	(3,394)	-	-	(3,394)	-	2,036	(1,358)
TOTAL GENERAL EXPENSES	66,084	24,721	357	13	21,269	8,011	4,562	1,493	13,204	139,714	47,529	20,624	207,867
TOTAL EXPENSES	\$ 1,371,584	\$ 363,471	\$ 7,751	\$ 21,187	\$ 429,395	\$ 107,688	\$ 61,929	\$ 41,980	\$ 382,238	\$ 2,787,223	\$ 405,173	\$ 262,485	\$ 3,454,881

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,647	\$ 717,596
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	29,678	31,427
Paycheck Protection Program loan forgiveness	(350,000)	(420,000)
Unrealized loss (gain) on investments	274,901	(227,792)
Loss (gain) on perpetual trusts held by others	103,774	(91,267)
Changes in:		
Receivable due - FDFSS program	6,193	(16,340)
Contracts and other accounts receivable	(41,255)	(117,054)
Pledges receivable	(21,003)	777
Prepaid expenses	3,599	(8,921)
Accounts payable and accrued expenses	(27,154)	29,210
Accrued payroll and payroll taxes	(32,955)	32,669
Deferred revenue	90,518	(19,593)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	39,943	(89,288)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	474,491	381,249
Purchase of investments	(1,146,662)	(269,392)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(672,171)	111,857
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	350,000
Repayment of long-term debt	-	(204,601)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	145,399
NET INCREASE (DECREASE) IN CASH	(632,228)	167,968
CASH AT BEGINNING OF YEAR	1,113,394	945,426
CASH AT END OF YEAR	\$ 481,166	\$ 1,113,394
RECONCILIATION OF CASH AT YEAR END		
Cash	\$ 445,700	\$ 1,084,121
Cash held - FDFSS program	35,466	29,273
	<u>\$ 481,166</u>	<u>\$ 1,113,394</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 2,101	\$ 3,461
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	\$ 350,000	\$ 420,000

See accompanying notes.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 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. For the year ended June 30, 2021, the Organization received approximately 25% of its total support and revenues from the Pennsylvania Department of Human Services. Accounts receivable due from this agency was \$115,951 at June 30, 2021.

Basis of Accounting

The accompanying financial statements 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 these financial statements, the Organization considers all 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 Family Driven Family Support Service (FDFSS) program, amounts are recorded for cash, receivables, and line of credit (see Note 7).

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, 2022 and 2021 was \$25,363 and \$19,330, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in equity securities 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.

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.

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.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - continued

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

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. 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 monthly as the services are provided.

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.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

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.

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.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Donated Services and Materials

Gifts of property and equipment 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, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Donated Services and Materials - continued

Donated materials, furniture, fixtures, equipment, and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Donated materials and services were \$7,324 and \$19,684 for the years ended June 30, 2022 and 2021, respectively.

A substantial number of volunteers have donated significant hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

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 February 8, 2023, the date the financial statements were available to be issued.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 2 - PROGRAM SERVICES

Children and young adults with disabilities, and their families, count on Easterseals Eastern Pennsylvania for programs and services that meet a variety of specialized medical, developmental, and social needs. Easterseals also provides support and education for families as they seek to integrate therapeutic techniques into their home environment and find ways to support their children using resources available in the community.

All of our programs and services are tailored to the needs of kids and adults with disabilities and their families to:

LIVE - through programs that help people reach their full potential to live their best lives.

LEARN - basic functions and master the skills needed to develop and thrive.

WORK - through training, placement, and related services to help prepare for the workforce.

PLAY - through fun, healthy programs that help relax, connect, and engage in constructive activities - all necessary for living the best possible life.

EARLY CHILDHOOD:

LIVE

Early Intervention (EI) specialists include physical, occupational and speech therapists, and developmental specialists who work directly with children (under age 3) to identify delays and disabilities, and coach parents so that they can implement strategies that promote development throughout their child's normal day. It has been well proven that EI works because its focus on young children means that help is provided at the peak of a child's brain development. EI is available to children with developmental delays and disabilities wherever the child spends his or her day, whether it be at home or in day care, and is delivered at no cost to families.

OUTPATIENT THERAPY:

LIVE

Outpatient therapy is available at our center in Reading (Berks County). There, children and young adults receive occupational and speech therapy to help develop skills in communication, coordination, handwriting, sensory integration, and social skills. Physical therapy helps individuals learn how to walk, improve balance, use a walker or wheelchair, and even to ride a bike. Services are provided during the day and after school.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 2 - PROGRAM SERVICES - CONTINUED

SPECIALTY CLINICS:

LIVE/LEARN

Orthopedic and neurology clinics are offered at our center in Reading (Berks County) to local children at no cost to families. Specialists from Philadelphia and Berks County provide access to these critical specialty skills right here in our community. Easterseals offers Spanish translation and helps families manage their child's care. Orthotic specialists who create custom orthotic braces for kids of all ages also provide services in our center.

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. This service is provided at no cost to families in Berks, Carbon, Lehigh, Monroe, Northampton and Pike Counties.

Applied Behavior Analysis Parent Coaching is offered to the parents or caregivers of children with autism. This service helps parents develop skills and understanding needed to help their child develop effective behaviors, including communication, that will enable their child to engage with others and their environment more successfully. Individualized, one-on-one sessions are provided using videoconferencing. This service is provided at no cost to families.

RECREATION:

WORK/PLAY

Residential Camp

Camp Growing Green is our residential summer camp for children and adults with disabilities and special needs held at the Pocono Environmental Education Center. Campers ages 10 to adult participate in environmentally focused activities as well as typical camp activities such as hiking, canoeing, sports and arts and crafts. An optional career experience track is available for campers who want to explore career opportunities. Growing Green runs for six weeks, Sunday through Friday, and campers attend for one or more weeks.

Day Camps

Camp Lily Berks and Camp Lily Lehigh Valley are summer day camps offered in a series of one-week sessions in July and August. Campers ages 8 through young adult enjoy a full schedule of arts and crafts activities, outdoor sports, swimming, music, games, science exploration and guests teaching special topics. Camp Lily runs for six weeks, Monday through Friday, and campers attend for one or more weeks.

Evening Recreation

HangTime (Berks) 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.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 2 - PROGRAM SERVICES - CONTINUED

FISCAL ADMINISTRATION:

WORK

Easterseals provides fiscal administration for family directed support programs for Northampton and Lehigh Counties. These are pass through programs where pre-approved funds are paid to the consumer on behalf of the county to allow individuals with disabilities to live, learn, work and play in their community.

COMMUNITY PROGRAMS:

LEARN

Make the First Five Count provides child development support by offering 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 (HABILITATION):

LIVE

Easterseals offers community-based activities and support 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. This program is provided in Berks, Carbon, Lehigh, Monroe, and Northampton Counties.

CAREER PATHWAYS:

WORK

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. Offered in Berks, Lehigh, Northampton and Pike Counties.

NOTE 3 - 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.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 4 - INVESTMENTS AND FAIR VALUE

Investments at June 30 are summarized below:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,034,888	\$ 1,034,888	\$ 693,034	\$ 693,034
Common stocks	997,349	1,196,712	662,606	1,140,322
Corporate bonds	<u>2,988</u>	<u>2,694</u>	<u>3,732</u>	<u>3,668</u>
	<u>\$ 2,035,225</u>	<u>\$ 2,234,294</u>	<u>\$ 1,359,372</u>	<u>\$ 1,837,024</u>

Investment return is as follows at June 30:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Interest and dividend income	\$ 16,328	\$ 15,968
Realized gain on investments	53,196	66,619
Unrealized gain (loss) on investments	(253,844)	207,473
Investment fees	(15,365)	(9,454)
With donor restrictions:		
Interest income	11	11
Unrealized gain (loss) on investments	<u>(21,057)</u>	<u>20,319</u>
	<u>\$ (220,731)</u>	<u>\$ 300,936</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 4 - 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, 2022 and 2021.

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 and equity, and options 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, and 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, 2022 and 2021

NOTE 4 - 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:

	2022			
	Level 1	Level 2	Level 3	Total
Equity securities - US	\$ 1,190,085	\$ -	\$ -	\$ 1,190,085
Equity securities - International	6,627	-	-	6,627
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

	2021			
	Level 1	Level 2	Level 3	Total
Equity securities - US	\$ 1,130,068	\$ -	\$ -	\$ 1,130,068
Equity securities - International	10,254	-	-	10,254
Corporate bonds	3,668	-	-	3,668
Total investments, at market	1,143,990	-	-	1,143,990
Beneficial interests in perpetual trusts	-	-	561,210	561,210
Total	\$ 1,143,990	\$ -	\$ 561,210	\$ 1,705,200

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 4 - 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>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 561,210	\$ 469,943
Realized and unrealized gains (losses)	<u>(103,774)</u>	<u>91,267</u>
Balance, end of year	<u><u>\$ 457,436</u></u>	<u><u>\$ 561,210</u></u>

NOTE 5 - 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 unrestricted net assets and amounted to \$19,694 and \$21,389 for the years ended June 30, 2022 and 2021, respectively. The value of the trusts recorded is \$457,436 and \$561,210 at June 30, 2022 and 2021, respectively.

NOTE 6 - LINE OF CREDIT

The Organization has a \$500,000 available line of credit with a bank to be drawn upon as needed. Interest rate is based on a variable rate (4.64% - 2022 and 3.60% - 2021). The note is secured by the investments held at the bank. The line of credit automatically renews annually. The balance was \$0 for both of the years ended June 30, 2022 and 2021.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 \$49,025 for both the years ended June 30, 2022 and 2021. Interest is charged at 0.75% above the prime rate (4.75% - 2022 and 4.00% - 2021). 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, 2022 and 2021 was \$35,466 and \$29,273, respectively. Receivable due for the program as of June 30, 2022 and 2021 was \$13,559 and \$19,752 respectively.

Interest expense for the years ended June 30, 2022 and 2021 was \$2,101 and \$2,070, respectively.

NOTE 8 - PAYCHECK PROTECTION PROGRAM LOANS

In April 2020, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$420,000. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA in February 2021.

In January 2021, the Organization received a second 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 and \$420,000 for the years ended June 30, 2022 and 2021, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 9 - 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 10 - NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Designated for endowment	\$ 547,339	\$ 613,370
Undesignated	<u>2,562,970</u>	<u>2,396,174</u>
Total net assets without donor restrictions	<u>\$ 3,110,309</u>	<u>\$ 3,009,544</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 10 - NET ASSETS - CONTINUED

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

	2022	2021
Time or purpose:		
Camp scholarships	\$ -	\$ 5,980
Clinic funds	9,040	9,040
Camp funds	15,370	15,171
Make the first five count	18,657	7,760
Habilitation programs	4,650	-
Camp Lily Berks improvements	17,936	-
Subtotal time or purpose	<u>65,653</u>	<u>37,951</u>
Perpetuity:		
Endowment funds	231,531	252,577
Beneficial interests in perpetual trusts	457,436	561,210
Subtotal perpetuity	<u>688,967</u>	<u>813,787</u>
Total net assets with donor restrictions	<u>\$ 754,620</u>	<u>\$ 851,738</u>

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

	2022	2021
Camp scholarships	\$ 5,980	\$ 5,370
Camp funds	1,000	1,350
Make the first five count	7,760	6,184
Habilitation programs	<u>-</u>	<u>1,744</u>
	<u>\$ 14,740</u>	<u>\$ 14,648</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.

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, 2022 and 2021

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, 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, 2022 and 2021.

The changes in endowment net assets are as follows:

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>-</u>	<u>(4,596)</u>
Endowment net assets, end of year	<u>\$ 547,339</u>	<u>\$ 231,531</u>	<u>\$ 778,870</u>

EASTERSEALS EASTERN PENNSYLVANIA**NOTES TO FINANCIAL STATEMENTS****June 30, 2022 and 2021****NOTE 11 - ENDOWMENT FUNDS - CONTINUED****Underwater Endowment Funds - continued****Endowment Net Asset Composition by Type of Funds as of June 30, 2021:**

	Without Donor Restrictions	With Donor Restrictions	Total
Board-restricted endowment funds	\$ 613,370	\$ -	\$ 613,370
Donor-restricted endowment funds	-	252,577	252,577
Total funds	<u>\$ 613,370</u>	<u>\$ 252,577</u>	<u>\$ 865,947</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021:

Endowment net assets, beginning of year	\$ 512,729	\$ 232,247	\$ 744,976
Investment return:			
Investment income	5,340	11	5,351
Net appreciation (depreciation)	98,463	20,319	118,782
Total investment return	<u>103,803</u>	<u>20,330</u>	<u>124,133</u>
Administrative fees	<u>(3,162)</u>	<u>-</u>	<u>(3,162)</u>
Endowment net assets, end of year	<u>\$ 613,370</u>	<u>\$ 252,577</u>	<u>\$ 865,947</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

Easterseals Eastern Pennsylvania is an autonomous, community-based, nonprofit organization, which is an intermediary affiliate of National Easterseal 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, 2022 and 2021 were \$44,777 and \$44,109, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 13 - 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, 2022 and 2021 were \$8,803 and \$18,194, respectively.

NOTE 14 - LEASE COMMITMENTS

The Organization entered into a five-year lease effective February 1, 2007, for the corporate offices. The lease was extended for an additional five years through February 2022, with monthly rent at \$5,050 through March 2020 and \$5,172 through March 2021. Monthly common area maintenance charges are \$1,800. The lease was renewed as a triple-net lease for an additional five years commencing March 2022 through February 2027. Monthly rent was \$4,900, with annual increases thereafter of 2.0%. Monthly common area maintenance charges are \$1,800 and are representative of the organization's share of property taxes, utilities and other maintenance costs.

Total rents charged to expense during the years ended June 30, 2022 and 2021 for these facilities, including common area maintenance charges (insurance, real estate taxes, and overhead for public areas), and camp rentals were \$138,384 and \$88,533, respectively. Utility expenses are paid directly by the Organization.

Future minimum payments under this lease are as follows for the years ending June 30:

2023	\$ 59,200
2024	60,400
2025	61,600
2026	62,800
2027	42,400
	<u> </u>
	<u>\$ 286,400</u>

Rental expense related to equipment leases and rentals for the years ended June 30, 2022 and 2021 was \$15,217 and \$16,565, respectively.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 15 - 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, 2022 and 2021. Total contributions received under this program for June 30, 2022 and 2021 were \$42,500 and \$34,000 respectively. 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, 2022 and 2021. The Organization was approved as a qualifying Educational Improvement Organization for the 2022 calendar year.

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.

NOTE 17 - IN-KIND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Common area maintenance	\$ 6,000	\$ 6,000
Fundraising event supplies	-	13,684
Program supplies	<u>1,324</u>	<u>-</u>
	<u>\$ 7,324</u>	<u>\$ 19,684</u>

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 17 - IN-KIND CONTRIBUTIONS - CONTINUED

Valuation Techniques:

Contributed services and materials are recognized as in-kind revenues 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 in-kind donations at year end. The Organization does not sell donated gifts in-kind and only utilized in-kinds for the programs detailed above.

NOTE 18 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2022 and 2021 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.

	2022	2021
Cash	\$ 445,700	\$ 1,084,121
Contracts and other accounts receivable	396,870	355,615
Pledges receivable	62,835	41,832
Investments	2,234,294	1,837,024
Beneficial interests in perpetual trusts	457,436	561,210
Total financial assets available	3,597,135	3,879,802
Less amounts not available due to contractual, board designated, or donor-imposed restrictions:		
Board designated funds	(547,339)	(613,370)
Donor time or purpose restrictions	(65,653)	(37,951)
Donor restricted in perpetuity	(688,967)	(813,787)
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,295,176</u>	<u>\$ 2,414,694</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. The Organization also has a line of credit in the amount of \$500,000 which it could draw upon in the event of unanticipated liquidity needs.

EASTERSEALS EASTERN PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE 19 - NEW ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

SUPPLEMENTARY INFORMATION

EASTERSEALS EASTERN PENNSYLVANIA

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

For the Year Ended June 30, 2022

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Lehigh County Base	\$ 56,068	\$ 18,380	\$ 4,659	\$ 124,226	\$ 203,333
Lehigh County Waiver	-	-	-	23,308	23,308
Lehigh County MA	13,341	128,628	83,686	-	225,655
TOTAL REVENUES	69,409	147,008	88,345	147,534	452,296
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	6,849	14,505	8,717	16,554	46,625
Benefits	739	1,566	941	1,787	5,033
Payroll taxes	606	1,284	771	1,465	4,126
Independent contractor/staffing costs	36,357	107,905	57,966	99,357	301,585
Total Employment and Service Provider Costs	44,551	125,260	68,395	119,163	357,369
OPERATING EXPENSES:					
Consultant and contracted services	1,446	3,062	1,840	3,494	9,842
Supplies	285	604	363	690	1,942
Postage and shipping	2	3	2	4	11
Printing and advertising	366	776	466	886	2,494
Conferences and meetings	2	4	3	5	14
Employee expense reimbursements	23	48	29	55	155
Miscellaneous operating expenses	315	669	402	761	2,147
Equipment rental and maintenance	941	1,994	1,198	2,276	6,409
Membership dues and fees	39	83	50	95	267
Total Operating Expenses	3,419	7,243	4,353	8,266	23,281
GENERAL EXPENSES:					
Telephone	99	210	126	239	674
Occupancy	1,718	3,638	2,186	4,152	11,694
Insurance	107	226	136	258	727
Total General Expenses	1,924	4,074	2,448	4,649	13,095
DIRECT PROGRAM EXPENSES	49,894	136,577	75,196	132,078	393,745
ALLOCATED MANAGEMENT AND GENERAL	9,789	20,733	12,460	23,661	66,643
TOTAL EXPENSES	59,683	157,310	87,656	155,739	460,388
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 9,726	\$ (10,302)	\$ 689	\$ (8,205)	\$ (8,092)
UNITS OF SERVICE					
Lehigh County Base	1,697	615	180	4,274	6,766
Lehigh County Waiver	-	-	-	785	785
Lehigh County MA	396	3,818	2,484	-	6,698
Total Units of Service	2,093	4,433	2,664	5,059	14,249
UNIT COST	\$ 28.52	\$ 35.49	\$ 32.90	\$ 30.78	

EASTERSEALS EASTERN PENNSYLVANIA

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

For the Year Ended June 30, 2022

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Northampton County Base	\$ 7,487	\$ 8,047	\$ 67,136	\$ 21,806	\$ 104,476
Northampton County Waiver	-	-	-	-	-
Northampton County MA	16,340	47,300	24,930	-	88,570
TOTAL REVENUES	23,827	55,347	92,066	21,806	193,046
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	2,310	5,366	8,926	2,398	19,000
Benefits	249	579	964	259	2,051
Payroll taxes	204	475	790	212	1,681
Independent contractor/staffing costs	12,264	39,920	59,358	14,396	125,938
Total Employment and Service Provider Costs	15,027	46,340	70,038	17,265	148,670
OPERATING EXPENSES:					
Consultant and contracted services	488	1,133	1,884	506	4,011
Supplies	96	224	372	100	792
Postage and shipping	1	1	2	1	5
Printing and advertising	124	287	478	128	1,017
Conferences and meetings	1	2	3	1	7
Employee expense reimbursements	8	18	30	8	64
Miscellaneous operating expenses	106	246	410	110	872
Equipment rental and maintenance	318	738	1,227	330	2,613
Membership dues and fees	13	31	51	14	109
Total Operating Expenses	1,155	2,680	4,457	1,198	9,490
GENERAL EXPENSES:					
Telephone	33	78	129	35	275
Occupancy	579	1,345	2,239	602	4,765
Insurance	36	84	139	37	296
Total General Expenses	648	1,507	2,507	674	5,336
DIRECT PROGRAM EXPENSES	16,830	50,527	77,002	19,137	163,496
ALLOCATED MANAGEMENT AND GENERAL	3,302	7,670	12,759	3,428	27,159
TOTAL EXPENSES	20,132	58,197	89,761	22,565	190,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 3,695	\$ (2,850)	\$ 2,305	\$ (759)	\$ 2,391
UNITS OF SERVICE					
Northampton County Base	221	236	1,988	733	3,178
Northampton County Waiver	-	-	-	-	-
Northampton County MA	485	1,404	740	-	2,629
Total Units of Service	706	1,640	2,728	733	5,807
UNIT COST	\$ 28.52	\$ 35.49	\$ 32.90	\$ 30.78	

EASTERSEALS EASTERN PENNSYLVANIA
SCHEDULE OF REVENUES AND EXPENSES
CARBON, MONROE, PIKE JOINDER MH/EI/DD

For the Year Ended June 30, 2022

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Carbon, Monroe, Pike Joinder Base	\$ 39,207	\$ 24,374	\$ 30,481	\$ 46,285	\$ 140,347
Carbon, Monroe, Pike Joinder Waiver	-	-	-	6,621	6,621
Carbon, Monroe, Pike Joinder MA	36,486	65,460	32,309	-	134,255
TOTAL REVENUES	75,693	89,834	62,790	52,906	281,223
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	7,199	8,544	5,972	5,694	27,409
Benefits	777	922	645	615	2,959
Payroll taxes	637	756	529	504	2,426
Independent contractor/staffing costs	38,216	63,555	39,709	34,172	175,652
Total Employment and Service Provider Costs	46,829	73,777	46,855	40,985	208,446
OPERATING EXPENSES:					
Consultant and contracted services	1,520	1,803	1,261	1,202	5,786
Supplies	300	356	249	237	1,142
Postage and shipping	2	2	1	1	6
Printing and advertising	385	457	320	305	1,467
Conferences and meetings	2	3	2	2	9
Employee expense reimbursements	24	29	20	19	92
Miscellaneous operating expenses	331	393	274	261	1,259
Equipment rental and maintenance	990	1,174	821	783	3,768
Membership dues and fees	41	49	34	33	157
Total Operating Expenses	3,595	4,266	2,982	2,843	13,686
GENERAL EXPENSES:					
Telephone	104	123	86	82	395
Occupancy	1,806	2,144	1,497	1,428	6,875
Insurance	112	133	93	89	427
Total General Expenses	2,022	2,400	1,676	1,599	7,697
DIRECT PROGRAM EXPENSES	52,446	80,443	51,513	45,427	229,829
ALLOCATED MANAGEMENT AND GENERAL	10,289	12,212	8,536	8,138	39,175
TOTAL EXPENSES	62,735	92,655	60,049	53,565	269,004
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 12,958	\$ (2,821)	\$ 2,741	\$ (659)	\$ 12,219
UNITS OF SERVICE					
Carbon, Monroe, Pike Joinder Base	1,117	668	866	1,517	4,168
Carbon, Monroe, Pike Joinder Waiver	-	-	-	223	223
Carbon, Monroe, Pike Joinder MA	1,083	1,943	959	-	3,985
Total Units of Service	2,200	2,611	1,825	1,740	8,376
UNIT COST	\$ 28.52	\$ 35.49	\$ 32.90	\$ 30.78	

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

For the Year Ended June 30, 2022

	Physical Therapy	Occupational Therapy	Speech Therapy	Education	Total
REVENUES					
Service Access Management Base	\$ 37,924	\$ 56,715	\$ 82,891	\$ 86,120	\$ 263,650
Service Access Management Waiver	-	-	-	4,246	4,246
Service Access Management MA	69,031	121,823	111,210	-	302,064
TOTAL REVENUES	106,955	178,538	194,101	90,366	569,960
EXPENSES					
EMPLOYMENT AND SERVICE PROVIDER COSTS:					
Salaries and compensation	21,099	46,450	37,549	19,837	124,935
Benefits	1,502	4,161	2,715	1,437	9,815
Payroll taxes	2,044	4,462	3,643	1,926	12,075
Independent contractor/staffing costs	76,656	93,931	128,149	62,892	361,628
Total Employment and Service Provider Costs	101,301	149,004	172,056	86,092	508,453
OPERATING EXPENSES:					
Consultant and contracted services	2,316	3,866	4,203	2,219	12,604
Supplies	1,404	2,343	2,547	1,345	7,639
Postage and shipping	27	45	49	25	146
Printing and advertising	919	1,534	1,667	880	5,000
Conferences and meetings	27	46	50	25	148
Consumer transportation	131	219	238	127	715
Employee expense reimbursements	52	618	94	48	812
Miscellaneous operating expenses	122	203	222	121	668
Equipment rental and maintenance	1,974	3,295	3,582	1,891	10,742
Membership dues and fees	6	9	10	4	29
Total Operating Expenses	6,978	12,178	12,662	6,685	38,503
GENERAL EXPENSES:					
Telephone	580	969	1,053	556	3,158
Occupancy	2,662	4,443	4,830	2,551	14,486
Insurance	485	809	880	467	2,641
Depreciation	1,601	2,673	2,906	1,536	8,716
Total General Expenses	5,328	8,894	9,669	5,110	29,001
DIRECT PROGRAM EXPENSES	113,607	170,076	194,387	97,887	575,957
ALLOCATED MANAGEMENT AND GENERAL	15,240	25,441	27,658	14,612	82,951
TOTAL EXPENSES	128,847	195,517	222,045	112,499	658,908
DEFICIENCY OF REVENUES					
OVER EXPENSES	\$ (21,892)	\$ (16,979)	\$ (27,944)	\$ (22,133)	\$ (88,948)
UNITS OF SERVICE					
Service Access Management Base	1,126	1,684	2,461	2,901	8,172
Service Access Management Waiver	-	-	-	143	143
Service Access Management MA	2,049	3,616	3,301	-	8,966
Total Units of Service	3,175	5,300	5,762	3,044	17,281
UNIT COST	\$ 40.58	\$ 36.89	\$ 38.54	\$ 36.96	

EASTERSEALS EASTERN PENNSYLVANIA

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

For the Year Ended June 30, 2022

	Physical Therapy	Speech Therapy	Total
REVENUES			
Lebanon Base	\$ 2,021	\$ -	\$ 2,021
Lebanon Waiver	-	-	-
Lebanon MA	<u>10,040</u>	<u>404</u>	<u>10,444</u>
TOTAL REVENUES	12,061	404	12,465
EXPENSES			
EMPLOYMENT AND SERVICE PROVIDER COSTS:			
Salaries and compensation	1,171	39	1,210
Benefits	126	4	130
Payroll taxes	104	3	107
Independent contractor/staffing costs	<u>6,219</u>	<u>261</u>	<u>6,480</u>
Total Employment and Service Provider Costs	7,620	307	7,927
OPERATING EXPENSES:			
Consultant and contracted services	247	8	255
Supplies	49	2	51
Postage and shipping	-	-	-
Printing and advertising	63	2	65
Conferences and meetings	-	-	-
Employee expense reimbursements	4	-	4
Miscellaneous operating expenses	54	3	57
Equipment rental and maintenance	161	5	166
Membership dues and fees	<u>7</u>	<u>-</u>	<u>7</u>
Total Operating Expenses	585	20	605
GENERAL EXPENSES:			
Telephone	17	1	18
Occupancy	294	10	304
Insurance	<u>18</u>	<u>1</u>	<u>19</u>
Total General Expenses	329	12	341
DIRECT PROGRAM EXPENSES	8,534	339	8,873
ALLOCATED MANAGEMENT AND GENERAL	<u>654</u>	<u>21</u>	<u>675</u>
TOTAL EXPENSES	9,188	360	9,548
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 2,873</u>	<u>\$ 44</u>	<u>\$ 2,917</u>
UNITS OF SERVICE			
Service Access Management Base	60	-	60
Service Access Management Waiver	-	-	-
Service Access Management MA	<u>298</u>	<u>12</u>	<u>310</u>
Total Units of Service	358	12	370
UNIT COST	<u>\$ 25.66</u>	<u>\$ 30.00</u>	

EASTERSEALS EASTERN PENNSYLVANIA

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

For the Year Ended June 30, 2022

	Lehigh County	Northampton County	Berks County	Total
REVENUES				
Lehigh County - HAB	\$ 252,653	\$ -	\$ -	\$ 252,653
Northampton County - HAB	-	302,451	-	302,451
Berks County - HAB	-	-	131,300	131,300
TOTAL REVENUES	252,653	302,451	131,300	686,404
EXPENSES				
EMPLOYMENT AND SERVICE PROVIDER COSTS:				
Salaries and compensation	164,182	196,543	81,473	442,198
Benefits	7,611	9,111	2,786	19,508
Payroll taxes	16,641	19,922	8,681	45,244
Independent contractor/staffing costs	10,685	12,790	5,662	29,137
Total Employment and Service Provider Costs	199,119	238,366	98,602	536,087
OPERATING EXPENSES:				
Consultant and contracted services	5,479	6,559	2,905	14,943
Supplies	1,749	2,093	2,154	5,996
Postage and shipping	32	39	14	85
Printing and advertising	232	278	121	631
Conferences and meetings	146	175	71	392
Employee expense reimbursements	19,034	22,786	11,143	52,963
Consumer transportation	-	-	165	165
Miscellaneous operating expenses	287	344	313	944
Equipment rental and maintenance	3,641	4,359	2,477	10,477
Membership dues and fees	63	75	7	145
Total Operating Expenses	30,663	36,708	19,370	86,741
GENERAL EXPENSES:				
Telephone	375	449	728	1,552
Occupancy	6,526	7,812	3,340	17,678
Insurance	405	485	608	1,498
Depreciation	-	-	2,010	2,010
Total General Expenses	7,306	8,746	6,686	22,738
DIRECT PROGRAM EXPENSES	237,088	283,820	124,658	645,566
ALLOCATED MANAGEMENT AND GENERAL	30,001	35,914	3,659	69,574
TOTAL EXPENSES	267,089	319,734	128,317	715,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (14,436)	\$ (17,283)	\$ 2,983	\$ (28,736)

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, 2022

	<u>Lehigh County</u>	<u>Northampton County</u>	<u>Total</u>
REVENUES			
Fees for service:			
Lehigh County MH/EI/DD	\$ 49,000	\$ -	\$ 49,000
Northampton County MH/EI/DD	-	27,825	27,825
Total Fees for Service	<u>49,000</u>	<u>27,825</u>	<u>76,825</u>
EXPENSES			
PERSONNEL:			
Salaries and compensation	26,157	13,549	39,706
Benefits	1,732	898	2,630
Payroll taxes	2,395	1,241	3,636
Other employment expenses	1,648	846	2,494
Total Personnel	<u>31,932</u>	<u>16,534</u>	<u>48,466</u>
OPERATING EXPENSES:			
Consultant and contracted services	3,698	1,900	5,598
Supplies	1,578	815	2,393
Postage and shipping	892	458	1,350
Printing and advertising	218	112	330
Conferences and meetings	17	8	25
Employee expense reimbursements	85	44	129
Consumer transportation	1	1	2
Miscellaneous operating expenses	1,746	898	2,644
Equipment rental and maintenance	1,339	687	2,026
Membership dues and fees	98	50	148
Total Operating Expenses	<u>9,672</u>	<u>4,973</u>	<u>14,645</u>
GENERAL EXPENSES:			
Telephone	282	144	426
Occupancy	3,854	1,980	5,834
Insurance	1,333	685	2,018
Total General Expenses	<u>5,469</u>	<u>2,809</u>	<u>8,278</u>
Dues to national affiliate	675	347	1,022
Allocated management and general	<u>1,076</u>	<u>553</u>	<u>1,629</u>
TOTAL EXPENSES	<u>48,824</u>	<u>25,216</u>	<u>74,040</u>
SURPLUS	<u>\$ 176</u>	<u>\$ 2,609</u>	<u>\$ 2,785</u>

**COST ALLOCATION BASED ON % OF REVENUE APPLIED
TO TOTAL EXPENSES**

63.78% 36.22%

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, 2022

	<u>Lehigh County</u>	<u>Northampton County</u>	<u>Total</u>
REVENUES			
Fees for service:			
Lehigh County MH/EI/DD	\$ 174,415	\$ -	\$ 174,415
Northampton County MH/EI/DD	-	185,166	185,166
Total Fees for Service	<u>174,415</u>	<u>185,166</u>	<u>359,581</u>
EXPENSES			
FDFSS Reimbursements:			
Adaptive equipment/appliances	883	950	1,833
Camp	24,684	35,381	60,065
Family education	54,626	59,204	113,830
Other FDFSS therapies	12,030	2,842	14,872
Recreation	43,461	61,557	105,018
Respite	38,370	23,798	62,168
Speech therapy	<u>361</u>	<u>1,434</u>	<u>1,795</u>
TOTAL EXPENSES	<u>174,415</u>	<u>185,166</u>	<u>359,581</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, 2022, 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 February 8, 2023.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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
February 8, 2023

**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, 2022. 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, 2022.

Herbein + Company, Inc.

**Reading, Pennsylvania
February 8, 2023**

EASTERSEALS EASTERN PENNSYLVANIA

ATTACHMENT A

For the Year Ended June 30, 2022

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, 2022.

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.