

Financial Statements

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

December 31, 2023 and 2022

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

***Financial Statements
December 31, 2023 and 2022***

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Certified Public Accountants • Business Consultants

Independent Auditors' Report

Board of Directors

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

Fort Wayne, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, we:

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

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



BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana
May 30, 2024

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

**Statements of Financial Position
December 31, 2023 and 2022**



	2023	2022
<u>ASSETS</u>		
Cash	\$ 8,601,812	\$ 5,034,883
Cash - restricted	442,612	525,420
Accounts receivable, net	2,832,861	2,279,647
Accounts receivable - related party	539,966	1,771,001
Accounts receivable - other	-	2,555,761
Pledges and grants receivable, net	1,189,825	855,913
Other deposits	4,957	4,957
Inventory	-	50,746
Prepaid expenses and other assets	207,040	188,283
Investments	4,333,005	3,889,395
Property and equipment, net	8,946,206	9,174,999
Right of use assets – finance leases	705,935	293,485
Right of use assets - operating leases	131,360	199,837
Beneficial interest in assets held by a community foundation	88,652	78,032
Beneficial interest in perpetual trust	<u>115,073</u>	<u>102,627</u>
TOTAL ASSETS	<u>\$ 28,139,304</u>	<u>\$ 27,004,986</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Funds held on behalf of others	\$ 382,011	\$ 472,898
Accounts payable	312,825	431,574
Accounts payable - related party	10,103	895,559
Accrued compensation and benefits	1,873,136	1,015,909
Group home Medicaid liability	85,146	85,146
Finance lease liabilities	576,184	274,055
Operating lease liabilities	133,984	201,790
Deferred revenue	131,296	136,574
Note payable, net	<u>291,987</u>	<u>300,986</u>
Total Liabilities	3,796,672	3,814,491
NET ASSETS		
Net assets without donor restrictions	22,123,562	21,535,254
Net assets with donor restrictions	<u>2,219,070</u>	<u>1,655,241</u>
Total Net Assets	<u>24,342,632</u>	<u>23,190,495</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,139,304</u>	<u>\$ 27,004,986</u>

See Notes to Financial Statements.

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

**Statement of Activities
Year Ended December 31, 2023**



	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
SUPPORT AND REVENUE				
Group home	\$ 8,602,516	\$ -	\$ 8,602,516	\$ 8,261,148
Medicaid waiver	18,415,871	-	18,415,871	17,217,112
Other governmental units	3,290,141	-	3,290,141	2,710,133
Program service fees	458,983	-	458,983	371,500
Production income	682,876	-	682,876	1,126,836
Grants	2,114,748	951,200	3,065,948	2,732,422
Contributions	194,473	-	194,473	643,098
Other	2,510,633	-	2,510,633	1,516,226
HUD subsidy	75,983	-	75,983	111,529
Title XIX Medicaid	85,454	-	85,454	90,909
Special events	325,468	-	325,468	410,746
Investment interest and dividend income	206,526	11,782	218,308	75,660
Realized and unrealized gain (loss) on investments	440,804	37,185	477,989	(828,249)
Loss on sale of property and equipment	(3,450)	-	(3,450)	(17,552)
Credit loss expense	(4,782)	-	(4,782)	(35,364)
Net assets released from donor restrictions	<u>436,338</u>	<u>(436,338)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	37,832,582	563,829	38,396,411	34,386,154
EXPENSES				
Program expense	31,692,609	-	31,692,609	31,904,804
Management and general expense	4,850,727	-	4,850,727	3,480,613
Fundraising expense	<u>700,938</u>	<u>-</u>	<u>700,938</u>	<u>384,813</u>
TOTAL EXPENSES	<u>37,244,274</u>	<u>-</u>	<u>37,244,274</u>	<u>35,770,230</u>
CHANGE IN NET ASSETS	588,308	563,829	1,152,137	(1,384,076)
NET ASSETS, BEGINNING OF YEAR	<u>21,535,254</u>	<u>1,655,241</u>	<u>23,190,495</u>	<u>24,574,571</u>
NET ASSETS, END OF YEAR	<u>\$ 22,123,562</u>	<u>\$ 2,219,070</u>	<u>\$ 24,342,632</u>	<u>\$ 23,190,495</u>

See Notes to Financial Statements.

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

**Statement of Activities
Year Ended December 31, 2022**



	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Group home	\$ 8,261,148	\$ -	\$ 8,261,148
Medicaid waiver	17,217,112	-	17,217,112
Other governmental units	2,710,133	-	2,710,133
Program service fees	371,500	-	371,500
Production income	1,126,836	-	1,126,836
Grants	2,218,422	514,000	2,732,422
Contributions	265,381	377,717	643,098
Other	1,516,226	-	1,516,226
HUD subsidy	111,529	-	111,529
Title XIX Medicaid	90,909	-	90,909
Special events	410,746	-	410,746
Investment interest and dividend income	65,232	10,428	75,660
Realized and unrealized loss on investments	(732,908)	(95,341)	(828,249)
Loss on sale of property and equipment	(17,552)	-	(17,552)
Credit loss expense	(35,364)	-	(35,364)
Net assets released from donor restriction	<u>421,747</u>	<u>(421,747)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	34,001,097	385,057	34,386,154
EXPENSES			
Program expense	31,904,804	-	31,904,804
Management and general expense	3,480,613	-	3,480,613
Fundraising expense	<u>384,813</u>	<u>-</u>	<u>384,813</u>
TOTAL EXPENSES	<u>35,770,230</u>	<u>-</u>	<u>35,770,230</u>
CHANGE IN NET ASSETS	(1,769,133)	385,057	(1,384,076)
NET ASSETS, BEGINNING OF YEAR	<u>23,304,387</u>	<u>1,270,184</u>	<u>24,574,571</u>
NET ASSETS, END OF YEAR	<u>\$ 21,535,254</u>	<u>\$ 1,655,241</u>	<u>\$ 23,190,495</u>

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended December 31, 2023 and 2022



	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,152,137	\$ (1,384,076)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided By (Used In) Operating Activities:		
Depreciation and amortization	1,025,172	972,413
Net realized and unrealized (gains) losses on investments	(485,032)	828,249
Distributed interest	34,522	8,941
Credit loss expense	4,782	35,364
Decrease in inventory reserve	(4,723)	-
Amortization of loan issuance costs	1,812	1,486
Discount on long-term pledges receivable	14,418	78,830
Contributions of investments	(9,836)	-
Loss on sale of property and equipment	3,450	17,552
(Increase) Decrease in Assets:		
Accounts receivable - net	(557,995)	(47,496)
Accounts receivable - related party	1,231,035	(1,256,241)
Accounts receivable - other	2,555,761	-
Pledges and grants receivable	(205,428)	(725,148)
Other deposits	-	7,216
Inventory	55,469	15,689
Prepaid expenses and other assets	(18,757)	(16,796)
Increase (Decrease) in Liabilities:		
Funds held on behalf of others	(90,887)	25,319
Accounts payable	(118,750)	144,382
Accounts payable - related party	(885,456)	837,525
Accrued compensation and benefits	857,229	(542,798)
Deferred revenue	(5,278)	(209,057)
Net Cash Provided By (Used In) Operating Activities	<u>4,553,645</u>	<u>(1,208,646)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(694,292)	(1,123,508)
Proceeds from sale of property and equipment	48,715	930,875
Purchase of investments	(2,391,459)	(1,152,393)
Proceeds from sale of investments	<u>2,384,364</u>	<u>1,194,403</u>
Net Cash Used In Investing Activities	(652,672)	(150,623)

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022



	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Upfront cash payments on finance leases	\$ (108,500)	\$ -
Payment for loan issuance costs	-	(1,292)
Proceeds from issuance of long-term debt	(142,902)	174,400
Payments on finance lease obligations	(154,639)	(109,740)
Repayments on long-term debt	<u>(10,811)</u>	<u>(341,702)</u>
Net Cash Used In Financing Activities	<u>(416,852)</u>	<u>(278,334)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	3,484,121	(1,637,603)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>\$ 5,560,303</u>	<u>\$ 7,197,906</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 9,044,424</u>	<u>\$ 5,560,303</u>
AS PRESENTED ON THE ACCOMPANYING STATEMENTS OF FINANCIAL POSITION:		
Cash	\$ 8,601,812	\$ 5,034,883
Cash - restricted	<u>442,612</u>	<u>525,420</u>
TOTAL CASH AND RESTRICTED CASH, END OF YEAR	<u>\$ 9,044,424</u>	<u>\$ 5,560,303</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 39,050	\$ 23,266
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	69,837	117,681
Operating cash flows from finance leases	14,381	7,809
Financing cash flows from finance leases	153,434	109,740
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Lease assets obtained in exchange for lease obligations:		
Operating leases	-	316,617
Finance leases	583,233	126,561
In-kind donations of investments	9,836	-

See Notes to Financial Statements.

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

**Statement of Functional Expenses
Year Ended December 31, 2023**



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management & General Expense	Fundraising Expense	Total Expenses 2023	Total Expenses 2022
Salaries and wages	\$ 2,846,643	\$ 1,674,540	\$ 4,076,751	\$ 12,147,739	\$ 49,500	\$ 20,795,173	\$ 1,830,998	\$ 363,022	\$ 22,989,193	\$ 21,538,965
Employee benefits	18,400	13,068	32,438	74,312	-	138,218	59,019	1,698	198,935	228,837
Group insurance	268,707	168,816	373,933	1,053,716	7,596	1,872,768	365,368	22,641	2,260,777	2,692,354
Staff development	4,413	552	1,000	3,794	-	9,759	91,169	290	101,218	82,377
Unemployment compensation	887	6,332	2,582	11,485	-	21,286	6,706	-	27,992	25,565
Workers' compensation insurance	25,564	11,271	59,314	164,182	432	260,763	(3,123)	(663)	256,977	276,190
Payroll taxes	211,214	123,209	301,275	904,584	4,752	1,545,034	130,070	26,161	1,701,265	1,636,105
Total salaries and related expenses	3,375,828	1,997,788	4,847,293	14,359,812	62,280	24,643,001	2,480,207	413,149	27,536,357	26,480,393
Audit and legal	-	-	-	-	-	-	138,506	-	138,506	165,615
Client wages	12,953	26,600	-	27,956	-	67,509	1,211	-	68,720	536,324
Community grants expense	39,565	1,758	-	24,958	-	66,281	239,228	70,357	375,866	183,518
Community training	11,041	15,060	6,326	25,936	-	58,363	27	-	58,390	113,236
Consultants	93,041	2,199	69,502	733,550	958	899,250	197,247	3,333	1,099,830	912,562
Cost of sales	-	162,939	-	-	-	162,939	-	-	162,939	246,616
Depreciation and amortization	256,285	91,705	178,080	138,459	22,313	686,842	333,380	4,950	1,025,172	972,413
Education and training	-	-	-	-	-	-	-	-	-	26,369
Electronic monitoring	-	-	-	87,948	-	87,948	-	-	87,948	50,231
Food	75,486	1,744	214,790	6,314	-	298,334	15,808	50,036	364,178	338,836
Household/small office equipment	4,992	1,928	72,069	6,338	-	85,327	9,669	50	95,046	175,159
Householder expense	-	-	-	231,398	-	231,398	-	-	231,398	251,282
Insurance	44,789	42,927	61,039	104,121	7,145	260,021	46,141	2,401	308,563	271,338
Interest	410	893	11,101	4,674	-	17,078	9,192	-	26,270	23,266

(Continued)

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

Statement of Functional Expenses (Continued)
Year Ended December 31, 2023



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management & General Expense	Fundraising Expense	Total Expenses 2023	Total Expenses 2022
Management fee	\$ -	\$ -	\$ -	\$ -	\$ 12,780	\$ 12,780	\$ -	\$ -	\$ 12,780	\$ 12,780
Membership dues	23,712	13,244	38,392	101,713	-	177,061	20,140	2,402	199,603	228,115
Operating expense	-	13,445	-	-	-	13,445	-	-	13,445	48,241
Other expense	5,668	6,528	35,290	95,183	-	142,669	13,240	84,269	240,178	100,296
Postage	1,449	1,034	2,283	6,801	-	11,567	2,266	199	14,032	30,136
Printing	36	18	50	566	-	670	24	2,685	3,379	1,375
Professional fees	208,726	154,738	351,083	819,730	1,800	1,536,077	360,936	-	1,897,013	1,123,167
Provider assessment	-	-	468,045	-	-	468,045	-	-	468,045	534,189
Public information	1,117	-	-	-	-	1,117	45,620	7,733	54,470	66,641
Rent	18,195	3,537	69,929	14,749	-	106,410	15,096	31,171	152,677	252,898
Repair and maintenance	106,623	38,604	115,471	110,552	28,006	399,256	152,694	4,067	556,017	668,897
Respite expense	-	-	-	31,000	-	31,000	-	-	31,000	23,100
Security	23	2,177	3,040	58	-	5,298	598	-	5,896	2,834
Staff recruitment	5,475	935	6,465	15,770	-	28,645	39,580	262	68,487	109,854
Subscriptions	-	613	875	3,602	-	5,090	1,034	-	6,124	23,606
Supplies	26,244	14,219	47,165	22,030	-	109,658	57,288	9,090	176,036	266,988
Technology	577	297	10,436	21,328	-	32,638	470,519	5,976	509,133	287,961
Telephone	66,250	42,919	36,269	77,265	4,517	227,220	45,724	3,161	276,105	222,334
Transportation	75,731	53,888	10,158	29,287	-	169,064	-	-	169,064	164,594
Travel	53,439	7,235	21,772	134,148	-	216,594	15,312	3,736	235,642	200,205
Tuition reimbursement	141	170	-	-	-	311	1,400	-	1,711	4,665
Utilities	68,542	51,574	100,120	32,199	22,618	275,053	83,366	1,911	360,330	399,141
Vehicle	59,393	30,372	55,580	13,305	-	158,650	55,274	-	213,924	251,055
TOTAL EXPENSES	\$ 4,635,731	\$ 2,781,088	\$ 6,832,623	\$ 17,280,750	\$ 162,417	\$ 31,692,609	\$ 4,850,727	\$ 700,938	\$ 37,244,274	\$ 35,770,230

See Notes to Financial Statements.

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

**Statement of Functional Expenses
Year Ended December 31, 2022**



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Salaries and wages	\$ 2,680,439	\$ 1,553,465	\$ 4,201,986	\$11,873,569	\$ 49,500	\$20,358,959	\$ 1,001,522	\$ 178,484	\$21,538,965
Employee benefits	13,394	11,570	39,699	79,159	-	143,822	82,859	2,156	228,837
Group insurance	311,908	218,475	429,973	1,373,914	7,596	2,341,866	339,087	11,401	2,692,354
Staff development	2,328	298	149	1,908	-	4,683	77,659	35	82,377
Unemployment compensation	1,161	5,012	7,021	3,436	-	16,630	8,935	-	25,565
Workers' compensation insurance	28,586	15,001	64,279	163,248	432	271,546	4,612	32	276,190
Payroll taxes	<u>202,277</u>	<u>138,941</u>	<u>296,687</u>	<u>844,265</u>	<u>4,752</u>	<u>1,486,922</u>	<u>137,781</u>	<u>11,402</u>	<u>1,636,105</u>
Total salaries and related expenses	3,240,093	1,942,762	5,039,794	14,339,499	62,280	24,624,428	1,652,455	203,510	26,480,393
Audit and legal	6,413	4,316	85,364	30,327	-	126,420	38,620	575	165,615
Client wages	111,482	421,464	-	2,311	-	535,257	1,067	-	536,324
Community grants	183,518	-	-	-	-	183,518	-	-	183,518
Community training	29,278	5,080	18,035	21,118	-	73,511	3,074	36,651	113,236
Consultants	429	581	67,085	608,454	1,024	677,573	234,989	-	912,562
Cost of sales	-	246,616	-	-	-	246,616	-	-	246,616
Depreciation and amortization	255,735	102,751	149,236	122,065	23,827	653,614	303,996	14,803	972,413
Education and training	19,048	6,471	1,582	(748)	-	26,353	16	-	26,369
Electronic monitoring	-	-	-	50,231	-	50,231	-	-	50,231
Food	73,066	1,936	231,410	8,387	-	314,799	23,284	753	338,836
Household/small office equipment	17,833	13,860	82,947	11,914	14	126,568	48,357	234	175,159
Householder expense	-	-	-	251,282	-	251,282	-	-	251,282
Insurance	39,631	32,789	51,073	100,767	7,145	231,405	38,023	1,910	271,338
Interest	-	1,324	6,178	5,125	2,349	14,976	8,290	-	23,266

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

Statement of Functional Expenses (Continued)
Year Ended December 31, 2022



	Community Support	Rehab and Work Services	Residential Services	Supported Living and Client Health and Wellness	HUD Residential Home Fund	Total Program Expense	Management and General Expense	Fundraising Expense	Total Expenses
Management fee	\$ -	\$ -	\$ -	\$ -	\$ 12,780	\$ 12,780	\$ -	\$ -	\$ 12,780
Membership dues	28,629	15,409	45,855	124,958	-	214,851	10,915	2,349	228,115
Operating expense	-	48,241	-	-	-	48,241	-	-	48,241
Other expense	16,313	15,248	13,919	17,619	-	63,099	29,203	7,994	100,296
Postage	1,945	13,570	3,128	9,374	-	28,017	1,941	178	30,136
Printing	-	1,375	-	-	-	1,375	-	-	1,375
Professional fees	111,355	65,912	177,852	534,398	1,800	891,317	221,585	10,265	1,123,167
Provider assessment	-	-	534,189	-	-	534,189	-	-	534,189
Public information	1,500	-	-	93	-	1,593	62,352	2,696	66,641
Lease	29,660	24,594	75,690	94,795	-	224,739	27,656	503	252,898
Repair and maintenance	113,023	89,119	112,580	135,875	25,270	475,867	190,015	3,015	668,897
Respite expense	-	-	-	23,100	-	23,100	-	-	23,100
Security	177	2,025	6	109	-	2,317	508	9	2,834
Staff recruitment	7,972	2,007	7,257	20,407	-	37,643	72,140	71	109,854
Subscriptions	-	314	7,374	15,893	-	23,581	25	-	23,606
Supplies	31,016	14,644	58,075	29,690	-	133,425	46,485	87,078	266,988
Technology	8,955	151	2,465	2,101	-	13,672	266,602	7,687	287,961
Telephone	68,627	3,453	34,275	66,086	5,232	177,673	42,393	2,268	222,334
Transportation	63,903	58,361	13,055	26,227	-	161,546	3,048	-	164,594
Travel	36,516	6,469	15,673	126,367	-	185,025	14,826	354	200,205
Tuition reimbursement	-	-	-	3,265	-	3,265	1,400	-	4,665
Utilities	76,247	58,190	92,446	56,819	24,787	308,489	88,742	1,910	399,141
Vehicle	76,786	22,195	72,016	31,452	-	202,449	48,606	-	251,055
TOTAL EXPENSES	\$ 4,649,150	\$ 3,221,227	\$ 6,998,559	\$16,869,360	\$ 166,508	\$31,904,804	\$ 3,480,613	\$ 384,813	\$35,770,230

See Notes to Financial Statements.

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

**Notes to Financial Statements
December 31, 2023 and 2022**



Note 1. Organization and Summary of Significant Accounting Policies

Organization:

The Arc of Northeast Indiana, Inc. d/b/a Easter Seals Arc of Northeast Indiana, Inc. ("Organization") is a not-for-profit organization whose mission and activities are to promote the general welfare of people who are mentally and physically challenged by fostering the development of programs on behalf of these individuals, encouraging research and providing consultation and aid to parents associated with the mentally and physically challenged. The Organization's revenue and other support are derived principally from fees for services, contributions, and federal and state grants, and its activities are conducted principally in the Northeast Indiana area.

Allen County Group Homes (HUD project #073-EH010-L8-WHC-IN36-T781-004) ("Project") is a 24-bed group home for the developmentally challenged in Allen County, Indiana. The project is operated under Section 202 of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development ("HUD") with respect to rental charges and operating methods. The Project is subject to Section 8 Housing Assistance Payment agreements with HUD, and a significant portion of the Project's rental income is received from HUD.

Basis of Preparation:

The financial statements are prepared on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations and may be used at the discretion of management to support the Organization's purposes and operations. Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose. Other donor restrictions are perpetual in nature, and have been restricted by donors to be maintained in perpetuity.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Restricted Cash:

Cash equivalents related to uninvested cash are considered part of investments for financial statement purposes. Client checking accounts are restricted because they are not owned by the Organization. These accounts are offset by the funds held on behalf of others liability in the statements of financial position. HUD cash accounts are restricted in accordance with the related mortgage.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



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

Cash and Restricted Cash (Continued):

The Project is required to maintain certain escrow deposits and reserve accounts for replacements and residual receipts. It is also subject to restrictions on acquisition, use, and disposition of the mortgaged property and revenues derived therefrom.

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

Accounts Receivable:

Accounts receivable are due from governmental and other significant funding sources and are recorded at their contract amounts adjusted for any charge-offs and the allowance for credit losses. The net accounts receivable balance was \$3,372,827, \$4,050,648 and \$2,277,490 at December 31, 2023, 2022 and 2021, respectively.

At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. This estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's portfolio has remained relatively constant. The Organization writes off receivables when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be offset to credit loss expense in the year of recovery. The allowance for credit losses was \$21,815, \$15,815 and \$9,976 at December 31, 2023, 2022, and 2021, respectively.

Pledges and Grants Receivable:

The Organization recognizes pledges as public support in the year the promise is made, and recognizes grants without restrictions in the year the grant is awarded. The present value of these estimated future cash flows is recorded as a receivable, net of any allowance for uncollectible pledges. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including credit concentrations, trends in historical loss experience, specific impaired pledges receivable, and economic conditions.

Investments:

Investments in marketable securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; realized gains and losses on other investments; and is net of investment expenses.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



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

Investments (Continued):

Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment:

Property and equipment is recorded at cost or, if received by donation, at fair value at the date of the gift. Items with a cost or value of \$500 or more and a useful life of one year or more are capitalized. Additions and improvements that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method based on estimated useful lives.

Leases:

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

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

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

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



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

Leases (Continued):

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

Revenue Recognition:

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return, are not recognized until the conditions on which they depend have been met. Deferred revenue in the amount of \$131,296 and \$136,574 was recorded as of December 31, 2023 and 2022, respectively, and represents cash received in advance of meeting the criteria as stated in the grant agreement.

All contributions of cash and other assets are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

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

Medicaid Waiver rates are set by the State of Indiana. Budgets are then set for each client using a combination of assessment scores and case manager evaluation tools. Medicaid Waiver has not performed an audit of service billing for all clients to date.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



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

In-Kind Contributions:

In addition to receiving cash contributions, the Organization receives in-kind contributions of assets and services from various donors. It is the policy of the Organization to record the estimated fair values of qualified in-kind donations as expenses or capital assets in its financial statements, and similarly increase contribution revenue by a like amount.

Gifts of equipment are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Functional Allocation of Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated based on several different items including time studies, percentage of budgeted expenses, and percent of total employees. The expenses associated with occupying and maintaining the buildings, such as depreciation, utilities, building maintenance, security and property insurance are allocated based on the square footage of space occupied by each program and supporting service. Membership dues, legal and professional fees, printing, liability insurance, equipment maintenance, supplies, postage, maintenance and technology are allocated based on staff payroll.

Income Taxes:

The Organization is a publicly supported organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these financial statements. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of income subject to unrelated business income tax ("UBIT"). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2023 and 2022.

The Organization files tax returns in the U.S. federal jurisdiction and the State of Indiana. The Organization believes it is no longer subject to income tax examinations for years prior to 2020.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



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

Recently Issued Accounting Standards:

Adopted Pronouncements:

In 2023, the Organization adopted Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, using the modified retrospective approach, which permits companies to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption without adjusting the comparative periods prior to adoption. The new guidance replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade receivables. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The adoption of this standard did not have a material impact on the financial statements.

Reclassification:

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

Subsequent Events:

Management of the Organization has evaluated events and transactions for possible recognition or disclosure through May 30, 2024, the date the financial statements were available to be issued.

Note 2. Pledges and Grants Receivable

Pledges and grants receivable consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 497,443	\$ 302,515
Due in one to five years	<u>789,901</u>	<u>637,717</u>
	1,287,344	940,232
Less discount (at 3.85% and 4.01% for 2023 and 2022, respectively) to net present value	94,065	79,647
Less allowance for uncollectible pledges	<u>3,454</u>	<u>4,672</u>
Net pledges receivable	<u>\$ 1,189,825</u>	<u>\$ 855,913</u>

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 3. Investments

Investments consist of the following at December 31, 2023 and 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 97,779	\$ 97,779	\$ 307,470	\$ 307,470
Mutual funds	2,150,122	2,219,720	2,002,686	1,849,029
Exchange-traded funds	1,272,911	1,587,267	1,587,267	791,559
Common stocks	57,506	53,280	620,708	570,123
Corporate bonds	<u>388,098</u>	<u>374,959</u>	<u>395,383</u>	<u>371,214</u>
	<u>\$ 3,966,416</u>	<u>\$ 4,333,005</u>	<u>\$ 4,913,514</u>	<u>\$ 3,889,395</u>

Investment interest and dividend income in the statements of activities is reported net of related investment expenses of \$20,072 and \$24,456 for the years ended December 31, 2023 and 2022, respectively.

Note 4. Property and Equipment

Property and equipment consists of the following at December 31, 2023:

	Estimated Useful Life	2023	2022
Land		\$ 1,237,909	\$ 1,237,909
Land improvements	8 - 20 years	838,486	728,920
Leasehold improvements	25 years	21,773	21,773
Buildings	5 - 30 years	13,240,854	12,762,802
Vehicles	3 - 5 years	689,633	712,731
Computer equipment	3 - 5 years	647,042	1,056,845
Furniture and fixtures	3 - 20 years	898,994	880,955
Equipment	3 - 20 years	1,038,555	1,011,751
Capital projects in progress		<u>133,510</u>	<u>95,150</u>
		<u>18,746,756</u>	<u>18,508,836</u>
Less: Accumulated depreciation		<u>9,800,550</u>	<u>9,333,837</u>
		<u>\$ 8,946,206</u>	<u>\$ 9,174,999</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was \$871,913 and \$857,588, respectively.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 5. Leases

The following is a summary of the lease expense:

	<u>2023</u>	<u>2022</u>
Operating lease costs (included in operating expenses):		
Operating lease expense	\$ 70,509	\$ 119,634
Short-term lease cost	65,709	110,097
Variable lease payments	<u>13,994</u>	<u>12,572</u>
	<u>\$ 150,212</u>	<u>\$ 242,303</u>
Finance lease costs:		
Amortization of lease assets included in depreciation and amortization	\$ 153,259	\$ 114,825
Interest on lease liabilities included in interest expense	<u>14,381</u>	<u>7,809</u>
	<u>\$ 167,640</u>	<u>\$ 122,634</u>

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

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2024	\$ 66,885	\$ 197,328	\$ 264,213
2025	43,171	142,263	185,434
2026	25,847	125,490	151,337
2027	-	105,074	105,074
2028	<u>-</u>	<u>48,319</u>	<u>48,319</u>
Total lease payments	135,903	618,474	754,377
Less: interest	<u>(1,919)</u>	<u>(42,290)</u>	<u>(44,209)</u>
Present value of lease liabilities	<u>\$ 133,984</u>	<u>\$ 576,184</u>	<u>\$ 710,168</u>

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

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term		
Operating leases	2.28 years	3.13 years
Finance leases	3.85 years	2.60 years
Weighted Average Discount Rate		
Operating leases	1.25 %	1.22 %
Finance leases	3.67 %	2.86 %

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 6. Beneficial Interest in Assets Held by a Community Foundation

The Community Foundation of Greater Fort Wayne Inc. ("Community Foundation") holds funds in the Organization's name totaling \$88,652 and \$78,032 at December 31, 2023 and 2022, respectively. These are the result of an agreement whereby the Organization has transferred assets, without variance power, to the Community Foundation and has specified itself as the beneficiary of the assets. The Organization may draw up to eight percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Community Foundation. These assets are being accounted for as investments and are classified as beneficial interest in assets held by a community foundation in the statements of financial position.

Additionally, the Community Foundation holds investment assets, with a value of \$66,560 and \$58,428 at December 31, 2023 and 2022, respectively, for the benefit of the Organization for which it has retained variance power. The Community Foundation of Whitley County holds investment assets, with a value of \$399,649 and \$362,899 at December 31, 2023 and 2022, respectively, for the benefit of the Organization for which it has retained variance power. These investments are not recorded as assets of the Organization.

Note 7. Beneficial Interest in Perpetual Trust

The Organization is the beneficiary under a charitable remainder trust administered by a third party trustee. Under the terms of the trust, the Organization has the irrevocable right to receive income earned by the trust's assets each year in perpetuity. The Organization's interest in the trust is valued at the Organization's share of the fair value of the underlying net assets. The original contribution of \$92,019 is classified as net assets with donor restrictions. Distributions received from the trust are not restricted and are recorded as revenue without donor restrictions. The change in fair value is not restricted and is recorded in net assets without donor restrictions as a gain or loss on investments. The estimated fair value of the Organization's beneficial interest in perpetual trust is \$115,073 and \$102,627 at December 31, 2023 and 2022, respectively.

Note 8. Fair Value Measurements

Fair value measurements are based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, and are determined by either the principal market or the most advantageous market.

The fair value measurements framework establishes a three-level hierarchy to prioritize the inputs used in the valuation techniques to derive fair values. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 measurements having the highest priority and Level 3 measurements having the lowest priority.

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access at the measurement date.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 8. Fair Value Measurements (Continued)

Level 2: Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable in the market.

The asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation techniques and inputs used for each major class of assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Cash and cash equivalents: Cash is valued at cost. Cash equivalents are valued at their closing price at year end, reported in the active market in which the cash equivalents are traded.

Mutual funds: Valued at the quoted market prices, which represent net asset values ("NAV") of shares held at year end.

Exchange-traded funds: Valued at the closing price at year end, reported in the active market in which the funds are traded.

Common stocks: Valued at the closing price at year end, reported in the active market in which the stocks are traded.

Corporate bonds: Valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interest in assets held by a community foundation: Valued based on the underlying investments held by and reported to the Organization by the Community Foundation.

Beneficial interest in perpetual trust: Valued at the Organization's share of the fair value of the underlying net assets held by and reported to the Organization by the trustee.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments measured at fair value on a recurring basis as of December 31, 2023 and 2022.

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 97,779	\$ -	\$ -	\$ 97,779
Mutual funds				
Bank loan	23,126	-	-	23,126
Diversified emerging markets	153,351	-	-	153,351
Fixed income	176,954	-	-	176,954
Foreign large blend	50,904	-	-	50,904
Foreign large growth	59,157	-	-	59,157
Foreign large value	26,123	-	-	26,123
Foreign small/mid blend	18,028	-	-	18,028
Foreign small/mid growth	12,415	-	-	12,415
Foreign small/mid value	18,561	-	-	18,561
Intermediate term bond	216,968	-	-	216,968
Intermediate core bond	357,700	-	-	357,700
Intermediate core-plus bond	410,319	-	-	410,319
Intermediate government	151,324	-	-	151,324
Large cap growth	82,000	-	-	82,000
Large cap value	164,161	-	-	164,161
Mid-cap blend	39,852	-	-	39,852
Mid-cap growth	39,345	-	-	39,345
Mid-cap value	68,209	-	-	68,209
Preferred stock	23,590	-	-	23,590
Short-term bond	58,821	-	-	58,821
Small cap blend	20,384	-	-	20,384
Small cap growth	13,890	-	-	13,890
Small cap value	<u>34,538</u>	-	-	<u>34,538</u>
Total mutual funds	2,219,720	-	-	2,219,720
Exchange-traded funds				
Foreign large blend	43,246	-	-	43,246
Intermediate government	100,454	-	-	100,454
Large blend	1,328,375	-	-	1,328,375
Large growth	51,295	-	-	51,295
Mid-cap blend	25,262	-	-	25,262
Small value	25,089	-	-	25,089
Value	<u>13,546</u>	-	-	<u>13,546</u>
Total exchange-traded funds	1,587,267	-	-	1,587,267
Common stocks				
Consumer staples	23,540	-	-	23,540
Financial	24,140	-	-	24,140
Small cap	<u>5,600</u>	-	-	<u>5,600</u>
Total common stocks	53,280	-	-	53,280

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

Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 8. Fair Value Measurements (Continued)

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Corporate bonds - rated	\$ 374,959	\$ -	\$ -	\$ 374,959
Beneficial interest in assets held by a community foundation	-	-	88,652	88,652
Beneficial interest in perpetual trust	-	-	115,073	115,073
Total assets at fair value	\$ 4,333,005	\$ -	\$ 203,725	\$ 4,536,730

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

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 8. Fair Value Measurements (Continued)

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

**THE ARC OF NORTHEAST INDIANA, INC. D/B/A
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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 8. Fair Value Measurements (Continued)

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

	Beneficial Interest in:	
	Assets Held by a Community Foundation	Perpetual Trust
Balance, January 1, 2022	\$ 90,957	\$ 449,919
Net realized and unrealized losses	(11,903)	(21,125)
Interest and dividends	2,420	-
Distributions	(2,988)	(326,167)
Fees	<u>(454)</u>	<u>-</u>
Balance, December 31, 2022	78,032	102,627
Net realized and unrealized gains	8,552	15,486
Interest and dividends	2,521	3,018
Distributions	-	(5,014)
Fees	<u>(453)</u>	<u>(1,044)</u>
Balance, December 31, 2023	<u>\$ 88,652</u>	<u>\$ 115,073</u>

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

Note 9. Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Mortgage note payable to a commercial bank in monthly installments of \$845 including interest at 3.50%, with remaining principal and interest due November 2025, secured by real estate.	\$ 128,573	\$ 134,220
Mortgage note payable to a commercial bank in monthly installments of \$1,208 including interest at 5.50%, with remaining principal and interest due June 2027, secured by real estate.	<u>166,822</u>	<u>172,030</u>
	295,395	306,250
Less: Unamortized loan issuance costs	<u>3,408</u>	<u>5,264</u>
	<u>\$ 291,987</u>	<u>\$ 300,986</u>

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 9. Long-Term Debt (Continued)

Aggregate annual maturities of long-term debt after December 31, 2023, are as follows:

2024	\$ 11,102
2025	128,692
2026	6,089
2027	<u>149,512</u>
	<u>\$ 295,395</u>

Interest expense for the years ended December 31, 2023 and 2022, was \$15,629 and \$15,457, respectively.

Note 10. Line of Credit

The Organization has a line of credit agreement with a bank that provides for a maximum borrowing of \$1,500,000, with interest at the prime interest rate (8.50% at December 31, 2023). The line is subject to a minimum interest rate of 3.00%. The line is collateralized by all accounts and investments held at the respective bank, and matures July 1, 2024. There was no outstanding balance on the line at December 31, 2023 and 2022.

Note 11. Liquidity and Availability of Resources

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting use, within one year of the statements of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash - restricted	\$ 9,044,424	\$ 5,560,303
Accounts receivable, net	2,832,861	2,279,647
Accounts receivable - related party	539,966	1,771,001
Accounts receivable - other	-	2,555,761
Pledges and grants receivable, net	1,189,825	855,913
Investments	4,333,005	3,889,395
Beneficial interest in assets held by third party	<u>203,725</u>	<u>180,659</u>
Total financial assets	18,143,806	17,092,679

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 11. Liquidity and Availability of Resources (Continued)

	<u>2023</u>	<u>2022</u>
Less: Financial assets not available to be used within one year:		
Cash - restricted	442,612	525,420
Pledges receivable not due within one year	695,836	558,070
Beneficial interest in assets held by third party	111,706	88,640
Board designated	3,273,427	2,904,078
Restricted by donors	<u>2,219,070</u>	<u>1,655,241</u>
Total financial assets not available for general expenditures within one year	<u>6,742,651</u>	<u>5,731,449</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 11,401,155</u>	 <u>\$ 11,361,230</u>

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

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

Note 12. State and Local Revenue

State and local revenue received during the years ended December 31, 2023 and 2022, was as follows:

	<u>2023</u>	<u>2022</u>
State of Indiana:		
Title XIX Medicaid	\$ 5,722,520	\$ 6,781,972
Medicaid day program	2,965,450	896,008
Medicaid waiver	18,415,871	17,217,112
Employment grants	54,538	15,640
Pre-employment transitions - State portion	292,043	224,467
Vocational rehab employment revenue	<u>667,348</u>	<u>511,299</u>
 Total State Revenue	 28,117,770	 25,646,498

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 12. State and Local Revenue (Continued)

Local:		
Allen County Council	1,064,445	1,003,259
Steuben County Commissioner	50,000	40,000
Whitley County Assessor	<u>40,000</u>	<u>40,000</u>
Total Local Revenue	1,154,445	1,083,259
Total State and Local Revenue	<u>\$ 29,272,215</u>	<u>\$ 26,729,757</u>

Note 13. Net Assets

Net assets without donor restrictions include \$3,273,427 and \$2,904,078 at December 31, 2023 and 2022, respectively, of net assets designated by the board of directors for endowment purposes. See note 14 for further information.

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

	<u>2023</u>	<u>2022</u>
Time and purpose restrictions:		
Programming	\$ 243,661	\$ 92,549
Endowment - unappropriated earnings	178,659	129,694
Assistive technology award program	9,000	8,585
Time restriction - operating support	<u>1,131,052</u>	<u>767,715</u>
	1,562,372	998,543
Restricted in perpetuity:		
Investment in perpetuity, the income of which is expendable to support any activity of the Organization	240,579	240,579
Recreation endowment	133,100	133,100
Beneficial interest in perpetual trust	92,019	92,019
Ballroom Dance endowment	10,000	10,000
Adopt-a-Family endowment	25,000	25,000
Music endowment	146,000	146,000
Investment in perpetuity, the income of which is expendable to support client participation	<u>10,000</u>	<u>10,000</u>
	<u>656,698</u>	<u>656,698</u>
Total net assets with donor restrictions	<u>\$ 2,219,070</u>	<u>\$ 1,655,241</u>

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 13. Net Assets (Continued)

Net assets were released from time and purpose restrictions during the years ended December 31, 2023 and 2022, as follows:

	<u>2023</u>	<u>2022</u>
Time restrictions expired	\$ 366,665	\$ 200,000
Satisfaction of program requirements	<u>69,673</u>	<u>221,747</u>
	<u>\$ 436,338</u>	<u>\$ 421,747</u>

Note 14. Endowment

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

Interpretation of UPMIFA:

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

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

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 14. Endowment (Continued)

Return Objectives and Risk Parameters:

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

Strategies Employed for Achieving Objectives:

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

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

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

Endowment net asset composition by type of fund at December 31, 2023 and 2022, was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 743,338	\$ 743,338
Board designated endowment funds	<u>3,273,427</u>	<u>-</u>	<u>3,273,427</u>
Total endowment net assets	<u>\$ 3,273,427</u>	<u>\$ 743,338</u>	<u>\$ 4,016,765</u>

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

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

Changes in endowment net assets for the years ended December 31, 2023 and 2022, were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,904,078	\$ 694,373	\$ 3,598,451
Investment return:			
Interest and dividends	97,612	11,782	109,394
Realized gain	6,883	-	6,883
Unrealized gain	380,082	51,481	431,563
Fees	<u>(11,510)</u>	<u>(2,066)</u>	<u>(13,576)</u>
Total investment return	473,067	61,197	534,264
Contributions and grants	15,377	1,502	16,879
Appropriation for expenditure	<u>(119,095)</u>	<u>(13,734)</u>	<u>(132,829)</u>
Endowment net assets, end of year	<u>\$ 3,273,427</u>	<u>\$ 743,338</u>	<u>\$ 4,016,765</u>

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

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

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

	<u>2023</u>	<u>2022</u>
Net Assets With Donor Restrictions for Time		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	\$ 178,659	\$ 129,694
Net Assets With Donor Restrictions in Perpetuity		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>564,679</u>	<u>564,679</u>
	<u>\$ 743,338</u>	<u>\$ 694,373</u>

Note 15. Related Party Transactions

During 2021, the Organization entered into an intercompany support services agreement with Easterseals Northern Indiana ("ENI"). This agreement also names ENI the sole corporate member of the Organization. ENI provides management and administrative support to the Organization and an affiliated organization. Amounts received from the related party, recorded in other revenue during the years ended December 31, 2023 and 2022 was \$2,431,041 and \$1,745,310, of which \$539,966 and \$1,771,001 was included in accounts receivable at December 31, 2023 and 2022, respectively. Professional fees paid to the related party during the years ended December 31, 2023 and 2022 was \$1,895,214 and \$837,525, of which \$10,103 and \$895,559 was included in accounts payable at December 31, 2023 and 2022, respectively.

Note 16. Employee Benefit Plan

The Organization has a defined contribution plan ("Plan") under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time employees, with an employer match for eligible employees who are 21 years of age, have one year of service, and complete 1,000 hours of service within the Plan year. For the years ended December 31, 2023 and 2022, the employer match was 50% of employee contributions not to exceed 3% of the employee's regular wages. Additionally, the Organization may make a discretionary contribution. Participants are 100% vested after three years. The Organization incurred expenses, related to the Plan, in the amount of \$198,935 and \$228,837 for the years ended December 31, 2023 and 2022, respectively.

Note 17. Credit Risk, Concentrations and Contingencies

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

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Notes to Financial Statements (Continued)
December 31, 2023 and 2022



Note 17. Credit Risk, Concentrations and Contingencies (Continued)

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

The Organization has received preliminary results from the audits conducted on Medicaid Group Home cost reports but not individual client audits on Medicaid Waiver services. The Organization has estimated a liability of \$85,000 at December 31, 2023 and 2022, for Group Home retroactive adjustments, additional provider liabilities, and other Medicaid Waiver program refunds that encompass the audits under appeal, as well as any future adjustment that could occur for past years. Because of uncertainties inherent in the estimation process, management's estimate of Medicaid adjustments and the corresponding Group Home Medicaid liability may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

In the normal course of business, the Organization is subject to potential claims. If and when such claims occur, it is the Organization's practice to defend these claims as they arise.

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

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