

EASTERSEALS WASHINGTON
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Easterseals Washington
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Easterseals Washington, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and change in net assets, 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 Washington 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Easterseals Washington 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 opinion.

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 Washington's ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 Washington'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 Washington'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.



CliftonLarsonAllen LLP

Bellevue, Washington
April 22, 2024

**EASTERSEALS WASHINGTON
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 626,685	\$ 351,040
Accounts and Grants Receivable	917,127	987,563
Prepaid Expenses and Other	56,640	73,912
Total Current Assets	1,600,452	1,412,515
PROPERTY AND EQUIPMENT		
Land	42,000	42,000
Building, Equipment, and Improvements	3,264,691	3,223,795
Total Property and Equipment	3,306,691	3,265,795
Less: Accumulated Depreciation	(1,686,883)	(1,692,939)
Property and Equipment, Net	1,619,808	1,572,856
CONSTRUCTION IN PROGRESS		
	206,456	-
INVESTMENTS		
	3,238,118	3,331,476
OPERATING LEASE RIGHT-OF-USE ASSETS		
	570,543	481,319
Total Assets	\$ 7,235,377	\$ 6,798,166
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 121,230	\$ 72,231
Accrued Expenses	244,320	236,261
Current Lease Liability - Operating	255,772	285,589
Deferred Revenue and Refundable Advances	10,053	132,752
Total Current Liabilities	631,375	726,833
LONG-TERM LIABILITY		
Long-Term Lease Liability - Operating (Less Current)	384,132	203,815
Total Liabilities	1,015,507	930,648
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,039,417	2,432,815
Board-Designated	2,427,358	2,652,119
Total Without Donor Restrictions	5,466,775	5,084,934
With Donor Restrictions:		
Purpose and Time	261,779	334,088
Perpetual in Nature	491,316	448,496
Total With Donor Restrictions	753,095	782,584
Total Net Assets	6,219,870	5,867,518
Total Liabilities and Net Assets	\$ 7,235,377	\$ 6,798,166

See accompanying Notes to Financial Statements.

EASTERSEALS WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions		With Donor Restrictions		Total
	Undesignated	Board-Designated	Purpose and Time	Perpetual in Nature	
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Individual Contributions	\$ 382,429	\$ -	\$ -	\$ -	\$ 382,429
Organization Contributions	95,090	-	234,927	-	330,017
Event Income	62,991	-	-	-	62,991
Donated Facilities, Goods, and Equipment	197,303	-	-	-	197,303
Total Public Support	737,813	-	234,927	-	972,740
Revenue:					
Program Service Fees	1,924,602	-	-	-	1,924,602
Government Program Service Fees	3,104,943	-	-	-	3,104,943
Investment Return and Other	1,256,500	-	12,509	-	1,269,009
Change in Fair Value of Beneficial Interest in Trust Held by Others	-	-	-	42,820	42,820
Total Revenue	6,286,045	-	12,509	42,820	6,341,374
Net Assets Released from Restrictions	544,506	(224,761)	(319,745)	-	-
Total Public Support and Revenue	7,568,364	(224,761)	(72,309)	42,820	7,314,114
EXPENSES					
Program Services:					
Public Health Education	10,144	-	-	-	10,144
Direct Services	5,914,323	-	-	-	5,914,323
Total Program Services	5,924,467	-	-	-	5,924,467
Supporting Services:					
Management and General	645,999	-	-	-	645,999
Fundraising	321,286	-	-	-	321,286
Total Supporting Services	967,285	-	-	-	967,285
Total Functional Expenses	6,891,752	-	-	-	6,891,752
National Membership Dues	70,010	-	-	-	70,010
Total Expenses	6,961,762	-	-	-	6,961,762
CHANGE IN NET ASSETS	606,602	(224,761)	(72,309)	42,820	352,352
Net Assets - Beginning of Year	2,432,815	2,652,119	334,088	448,496	5,867,518
NET ASSETS - END OF YEAR	<u>\$ 3,039,417</u>	<u>\$ 2,427,358</u>	<u>\$ 261,779</u>	<u>\$ 491,316</u>	<u>\$ 6,219,870</u>

See accompanying Notes to Financial Statements.

EASTERSEALS WASHINGTON
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions		With Donor Restrictions		Total
	Undesignated	Board-Designated	Purpose and Time	Perpetual in Nature	
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Individual Contributions	\$ 474,052	\$ -	\$ -	\$ -	\$ 474,052
Organization Contributions	414,966	-	359,845	-	774,811
Event Income	94,519	-	-	-	94,519
Donated Facilities, Goods, and Equipment	343,614	-	-	-	343,614
Total Public Support	1,327,151	-	359,845	-	1,686,996
Revenue:					
Program Service Fees	1,421,719	-	-	-	1,421,719
Government Program Service Fees	3,125,061	-	-	-	3,125,061
Investment Return and Other	233,393	-	(17,221)	-	216,172
Change in Fair Value of Beneficial Interest in Trust Held by Others	-	-	-	(109,499)	(109,499)
Total Revenue	4,780,173	-	(17,221)	(109,499)	4,653,453
Net Assets Released from Restrictions	614,275	(416,603)	(197,672)	-	-
Total Public Support and Revenue	6,721,599	(416,603)	144,952	(109,499)	6,340,449
EXPENSES					
Program Services:					
Public Health Education	10,528	-	-	-	10,528
Direct Services	5,513,140	-	-	-	5,513,140
Total Program Services	5,523,668	-	-	-	5,523,668
Supporting Services:					
Management and General	641,956	-	-	-	641,956
Fundraising	325,926	-	-	-	325,926
Total Supporting Services	967,882	-	-	-	967,882
Total Functional Expenses	6,491,550	-	-	-	6,491,550
National Membership Dues	45,000	-	-	-	45,000
Total Expenses	6,536,550	-	-	-	6,536,550
CHANGE IN NET ASSETS	185,049	(416,603)	144,952	(109,499)	(196,101)
Net Assets - Beginning of Year	2,247,766	3,068,722	189,136	557,995	6,063,619
NET ASSETS - END OF YEAR	<u>\$ 2,432,815</u>	<u>\$ 2,652,119</u>	<u>\$ 334,088</u>	<u>\$ 448,496</u>	<u>\$ 5,867,518</u>

See accompanying Notes to Financial Statements.

**EASTERSEALS WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program Services			Supporting Services			Total
	Public Health Education	Direct Services	Total Program	Management and General	Fundraising	Total Supporting	
Salaries and Related Expenses	\$ 10,144	\$ 4,272,954	\$ 4,283,098	\$ 437,271	\$ 190,588	\$ 627,859	\$ 4,910,957
Occupancy	-	510,523	510,523	84,052	-	84,052	594,575
Operating Supplies and Cost of Resale Goods	-	596,832	596,832	2,023	74,477	76,500	673,332
Contract Services and Professional Fees	-	42,643	42,643	101,889	29,414	131,303	173,946
Contributed Facilities, Goods, and Services	-	183,084	183,084	-	14,219	14,219	197,303
Travel and Education	-	21,848	21,848	3,556	3,878	7,434	29,282
Depreciation	-	77,949	77,949	8,497	-	8,497	86,446
Bad Debt Expense	-	106,437	106,437	-	-	-	106,437
Insurance	-	49,862	49,862	2,168	2,168	4,336	54,198
Telephone	-	26,873	26,873	5,759	5,759	11,518	38,391
Minor Equipment Purchases and Maintenance	-	25,120	25,120	635	635	1,270	26,390
Postage and Shipping	-	198	198	149	148	297	495
Total Functional Expenses	10,144	5,914,323	5,924,467	645,999	321,286	967,285	6,891,752
Add: National Membership Dues	-	-	-	-	-	-	70,010
Total Expenses	\$ 10,144	\$ 5,914,323	\$ 5,924,467	\$ 645,999	\$ 321,286	\$ 967,285	\$ 6,961,762

See accompanying Notes to Financial Statements.

**EASTERSEALS WASHINGTON
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services			Supporting Services			Total
	Public Health Education	Direct Services	Total Program	Management and General	Fundraising	Total Supporting	
Salaries and Related Expenses	\$ 10,528	\$ 4,159,157	\$ 4,169,685	\$ 439,491	\$ 197,250	\$ 636,741	\$ 4,806,426
Occupancy	-	468,083	468,083	84,416	-	84,416	552,499
Operating Supplies and Cost of Resale Goods	-	428,276	428,276	2,401	81,945	84,346	512,622
Contract Services and Professional Fees	-	36,661	36,661	94,908	18,514	113,422	150,083
Contributed Facilities, Goods, and Services	-	181,799	181,799	-	18,265	18,265	200,064
Travel and Education	-	10,560	10,560	4,371	1,703	6,074	16,634
Depreciation	-	79,800	79,800	8,120	-	8,120	87,920
Bad Debt Expense	-	53,387	53,387	-	-	-	53,387
Insurance	-	52,946	52,946	2,302	2,302	4,604	57,550
Telephone	-	21,988	21,988	4,712	4,712	9,424	31,412
Minor Equipment Purchases and Maintenance	-	12,051	12,051	976	976	1,952	14,003
Lease Expense	-	8,085	8,085	-	-	-	8,085
Postage and Shipping	-	347	347	259	259	518	865
Total Functional Expenses	10,528	5,513,140	5,523,668	641,956	325,926	967,882	6,491,550
Add: National Membership Dues	-	-	-	-	-	-	45,000
Total Expenses	\$ 10,528	\$ 5,513,140	\$ 5,523,668	\$ 641,956	\$ 325,926	\$ 967,882	\$ 6,536,550

See accompanying Notes to Financial Statements.

**EASTERSEALS WASHINGTON
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	\$ 352,352	\$ (196,101)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	86,446	87,920
Amortization of Right of Use Asset	305,541	-
Noncash Lease Expense	48,437	489,404
Change in Fair Value of Trust Held by Others	(42,820)	109,499
Net Realized and Unrealized (Gain) Loss on Investments	(126,897)	161,149
Loss on Disposal of Property and Equipment	12,191	-
Contribution Restricted for Endowment	(3,478)	-
Net Changes in Operating Assets and Liabilities:		
Accounts and Grants Receivable	70,436	(473,040)
Prepaid Expenses and Other	17,272	20,302
Accounts Payable and Accrued Expenses	57,058	(7,474)
Lease Liability - Operating	(292,702)	(489,404)
Deferred Revenue and Refundable Advances	(122,699)	(248,258)
Net Cash Provided (Used) by Operating Activities	<u>361,137</u>	<u>(546,003)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(74,061)
Sale of Investments	250,188	89,534
Purchase of Property and Equipment	(145,589)	(209,420)
Construction in Progress	<u>(206,456)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(101,857)</u>	<u>(193,947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from Beneficial Interest in Assets Held by Others	<u>16,365</u>	<u>18,256</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	275,645	(721,694)
Cash and Cash Equivalents - Beginning of Year	<u>351,040</u>	<u>1,072,734</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 626,685</u>	<u>\$ 351,040</u>

See accompanying Notes to Financial Statements.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Easter Seals Washington, dba: Easterseals Washington (the Organization), is a nonprofit corporation organized in 1947. It is affiliated with Easter Seals National Headquarters, the national governing organization. The Organization provides direct services to children and adults with disabilities. Program services include community access assistance, supported employment, resident camping, adult day health care, behavior therapy and inclusive childcare services, among other services. Operations are headquartered in Seattle, Washington with outlying facilities and camps located throughout the state of Washington.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and report information regarding the Organization's 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 – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The board has designated certain otherwise unrestricted net assets as a general reserve fund. These funds are approved by the board to be held for specific purposes (capital improvements, program expansion, specialized training, etc.) and require board approval to designate for any other purpose. The designated funds are tracked with the monthly financial reports.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor- imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all bank accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Deposits with a single financial institution occasionally exceed federally insured limits, which subject the Organization to a concentration of deposit risk. The Organization has not experienced losses due to this concentration.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable includes credit extended to various governmental agencies and individuals for program service fees. All account balances are due in less than one year. Collateral is generally not required. At December 31, 2023 the allowance for estimate of expected credit losses was \$3,600.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment are stated at cost. Donated property is recognized as revenue and capitalized at its estimated fair value at the date of receipt. The Organization capitalizes assets that have a useful life greater than one year and a value greater than \$1,000. Depreciation is computed using the straight-line method based on estimated useful lives of 7 to 40 years for buildings and improvements and 3 to 15 years for equipment and furniture.

Investments

The Organization carries investments at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the statements of activities.

Leases

The Organization leases office spaces and facilities. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Deferred Revenue

Income received in advance from public and government program service fees is deferred and recognized over the periods to which the fees relate.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Program Service Fees

Government program service fees are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no adjustments resulting from government audits during the years ended December 31, 2023 and 2022.

Program Service Fees

Program service fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to their program participants. These amounts are due from participants, third-party payors (including government programs). Generally, the Organization bills the participants and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied as programs are run and recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue is recognized as the service is rendered.

Donated Facilities, Goods, and Equipment

Donated facilities, goods, and equipment are recorded as donations at their estimated fair values at the date of the donation. The estimated fair value of facilities donated is \$183,084 and \$181,799 for the years ended December 31, 2023 and 2022, respectively. The value of donated facilities was determined based on the market rent values provided by the lessor for similar rented space in the facility. The fair value of goods received is \$14,219 and \$161,815 for the years ended December 31, 2023 and 2022, respectively. The fair value of goods was determined to be the price of the goods had the Organization otherwise purchased them at market price. These donations are disclosed separately in the statement of activities as Donated Facilities, Goods, and Equipment. The donated property did not carry donor restrictions.

The Organization recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not donated. No amounts have been recorded for such services during the years ended December 31, 2023 and 2022.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. The expenses that are allocated include telephone, postage, minor equipment, office supplies, bookkeeping, insurance, depreciation, and President/CEO and COO payroll expense.

All expenses, except insurance, depreciation, and payroll, are allocated based on percentages that are reviewed annually during the budgeting process. Insurance is based on information provided to the Organization by the insurance carrier. Depreciation is based on the assets associated with that department. The President/CEO and COO payroll is based on the average time spent performing that activity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Change in Accounting Principles

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU 2016-13), *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

Subsequent events were evaluated through April 22, 2024, which is the date the financial statements were available to be issued.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 626,685	\$ 351,040
Accounts and Grants Receivable	917,127	987,563
Investments	<u>3,238,118</u>	<u>3,331,476</u>
Total Financial Assets	4,781,930	4,670,079
Less Those Unavailable for General Expenditures Within One Year:		
Restricted for Donors Purpose or Time	(261,779)	(334,088)
Restricted by Donors in Perpetuity	<u>(491,316)</u>	<u>(448,496)</u>
Financial Assets Available Within One Year	<u>\$ 4,028,835</u>	<u>\$ 3,887,495</u>

The Organization's financial assets have seasonal variations attributed largely to the receipt of Camp Stand By Me fees (summer) and fundraising events (spring and winter). The Organization has an operating reserve that the governing board has dedicated with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. In the event of an unanticipated liquidity need, the Organization could also draw upon funds that are held in cash equivalents with its investment custodians.

NOTE 3 FAIR VALUE MEASUREMENTS

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.

Level 3 – Inputs that are not observable that reflect management's assumptions and estimate. These inputs related to the timing and the amount of distributions.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the valuation of the Organization's financial investments and interests under the fair value hierarchy at December 31:

	2023			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,847,029	\$ -	\$ -	\$ 1,847,029
Common Stock	849,523	-	-	849,523
The Seattle Foundation Pool	-	-	100,500	100,500
Trust Held by Others	-	-	441,066	441,066
Total Investments at Fair Value	<u>\$ 2,696,552</u>	<u>\$ -</u>	<u>\$ 541,566</u>	<u>\$ 3,238,118</u>

	2022			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 2,044,399	\$ -	\$ -	\$ 2,044,399
Common Stock	800,840	-	-	800,840
The Seattle Foundation Pool	-	-	87,991	87,991
Trust Held by Others	-	-	398,246	398,246
Total Investments at Fair Value	<u>\$ 2,845,239</u>	<u>\$ -</u>	<u>\$ 486,237</u>	<u>\$ 3,331,476</u>

The changes in financial investments and interests measured at fair value using Level 3 inputs are reflected below for the years ended December 31:

	2023	2022
Balance - Beginning of Year	\$ 486,237	\$ 612,958
Contributions to Trust Held by Third Parties	3,478	1,906
Net Gain (Loss) on Trusts Held by Third Parties	42,820	(109,499)
Investment Return (Loss), Net	25,396	(872)
Distributions from Trust Held by Third Parties	(16,365)	(18,256)
Balance - End of Year	<u>\$ 541,566</u>	<u>\$ 486,237</u>

NOTE 4 TRUSTS HELD BY OTHERS

The Organization is a named, designated beneficiary of a perpetual trust (the Trust) that is held and administered by a bank. The Organization does not exercise control over the investment of the fund or the timing or amount of distributions. Distributions from the fund are available for general operating purposes.

The Organization's beneficial interest in the Trust is reported in the accompanying statements of financial position as a net asset with donor restrictions of a perpetual nature carried at fair value report by the trustee at year-end. Fair value is measured as the underlying value of the assets held in perpetuity for the Organization's benefit (Level 3 inputs as described in Note 3). The Organization's interest in gains or losses in the fund's value is recognized in the statements of activities and is included in the change in net assets with donor restrictions of a perpetual nature. The Organization records receipts of distributions for the Trust as investment return without donor restrictions.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

The Organization’s board of directors has designated a portion of net assets without donor restrictions, composed of cash and cash equivalents and investments, for the following purposes at December 31:

	2023	2022
Operating Reserve	\$ 118,924	\$ 118,924
Other Operating Funds - MacKenzie Scott	2,308,434	2,533,195
Total Net Assets Without Donor Restrictions	\$ 2,427,358	\$ 2,652,119

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at December 31:

	2023	2022
Restricted for a Specified Purpose or Passage of Time:		
Comcast Tech Centers, Mobile Tech and VR	\$ -	\$ 48,297
Comcast Digital Mental Health	10,000	-
ELF Grant	99,708	118,710
Upjohn Gazebo Project	-	90,000
Inatai Foundation	100,000	-
Endowment - Unappropriated Investment Return	50,250	37,741
Other Programs	1,821	39,340
Total	261,779	334,088
Perpetual in Nature:		
Endowment - Corpus	50,250	50,250
Beneficial Interest in Perpetual Trust	441,066	398,246
Total	491,316	448,496
Total Net Assets With Donor Restrictions	\$ 753,095	\$ 782,584

NOTE 7 ENDOWMENT

Nature of Endowment and Applicable Laws

The Endowment consists of one donor-restricted endowment in which the investment return is to be used for building and upgrading camp facilities. Additionally, the Organization is a designated beneficiary of a perpetual trust, as described in Note 4.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 ENDOWMENT (CONTINUED)

Nature of Endowment and Applicable Laws (Continued)

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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts that are not retained in perpetuity are subject to appropriation 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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 Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies for the Endowment asset that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

The Endowment investments are managed by The Seattle Foundation (the Foundation). The Foundation was established in 1946 and since its formation has managed funds for many nonprofit organizations in the Puget Sound area. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution based growth of the funds, while allowing growth if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 4.5% annually. Currently, the expected nominal rate of return is approximately 8%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Realized and unrealized gains/losses from securities in the investment pool are allocated to the individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investment accounts, as adjusted for additions to and deductions from those accounts.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 ENDOWMENT (CONTINUED)

Spending Policy

For the Endowment, the Organization has a policy of appropriating for distribution each year based on the growth of the funds. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation's assets are principally in trusts from which income is distributed to the participating Organizations. The Foundation's spending policy provides that up to 4.5% of the market value of the invested assets (calculated using a 12-quarter rolling average) on invested assets can be expended annually. The Organization expects the current spending policy to allow its endowment funds to grow at a rate equal to inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in Endowment net assets are as follows for the years ended December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance - January 1, 2022	\$ -	\$ 612,958	\$ 612,958
Contributions	-	1,906	1,906
Investment Loss, Net	-	(872)	(872)
Distributions	-	(18,256)	(18,256)
Net Depreciation of Endowment	-	(109,499)	(109,499)
Balance - December 31, 2022	-	486,237	486,237
Contributions	-	3,478	3,478
Investment Return, Net	-	25,396	25,396
Distributions	-	(16,365)	(16,365)
Net Appreciation of Endowment	-	42,820	42,820
Balance - December 31, 2023	<u>\$ -</u>	<u>\$ 541,566</u>	<u>\$ 541,566</u>

NOTE 8 LEASES – ASC 842

The Organization leases office space and facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

Total operating lease cost of \$321,282 and \$253,319 as of December 31, 2023 and 2022, respectively, is included in occupancy on the Organization's statement of functional expenses.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 8 LEASES – ASC 842 (CONTINUED)

Amounts reported on the balance sheet are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Operating Lease Right-of-Use Assets	\$ 570,543	\$ 481,319
Operating Lease Obligation	639,904	489,404

The following is a schedule of total future minimum lease payments and the present value of future minimum lease payments for operating leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 280,764
2025	174,311
2026	184,210
2027	<u>19,709</u>
Total Undiscounted Lease Payments	658,994
Less: Imputed Interest	<u>19,090</u>
Total Operating Lease Obligation	639,904
Current Portion	<u>255,772</u>
Long-Term Operating Lease Obligation	<u><u>\$ 384,132</u></u>

Other information related to the Organization's operating leases was as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted-Average Remaining Lease Term	2.6 Years	2.0 Years
Weighted-Average Discount Rate	2.00%	2.00%

NOTE 9 EMPLOYEE RETENTION CREDIT

The Organization is eligible for the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARPA). Easterseals Washington followed ASC 958-605, Not-for-Profit Entities: Revenue Recognition, to account for the reductions to payroll taxes or cash refunds related to the ERC. For 2020, the tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee, which is up to \$5,000 per employee, from March 13, 2020 through December 31, 2020. For 2021, the tax credit is equal to 70% of qualified wages paid to employees for a maximum credit per employee of \$7,000 per employee for each calendar quarter through September 30, 2021.

During the year ended December 31, 2022, Easterseals Washington recognized revenue of \$354,585 as employee retention credit in the statement of activities and change in net assets related to the total refundable payroll tax credit claimed for the year of 2022, which all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled prior to the year-end. Accounts receivable include ERC of \$201,853 at December 31, 2022, which represents the tax credit claimed for the year of 2020.

**EASTERSEALS WASHINGTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 9 EMPLOYEE RETENTION CREDIT (CONTINUED)

During the year ended December 31, 2023, Easterseals Washington recognized revenue of \$1,082,350 as employee retention credit in the statement of activities and change in net assets related to the total refundable payroll tax credit claimed for the year of 2021.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 10 SUBSEQUENT EVENTS

Management evaluated subsequent events through April 22, 2024, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2023, but prior to April 22, 2024, that provide additional evidence about conditions that existed at December 31, 2023, have been recognized in the financial statements for the year ended December 31, 2023. Events or transactions that provided evidence about conditions that did not exist at December 31, 2023, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2023.



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