EASTERSEALS BLAKE FOUNDATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Easterseals Blake Foundation and Affiliates
Tucson, Arizona

Report on Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Easterseals Blake Foundation and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Easterseals Blake Foundation and Affiliates as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Easterseals Blake Foundation and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Easterseals Blake Foundation and Affiliates' 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Easterseals Blake Foundation and Affiliates' 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.

Board of Directors
Easterseals Blake Foundation and Affiliates

***Other Reporting Required by* Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of Easterseals Blake Foundation and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Easterseals Blake Foundation and Affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Easterseals Blake Foundation and Affiliates' internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Tucson, Arizona
March 30, 2026

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	$ 7,896,641	$ 11,722,187
Cash and Cash Equivalents - Restricted	28,819	36,327
Grants Receivable	807,651	869,092
Contracts Receivable	3,908,868	4,850,924
Allowance for Credit Losses	(710,036)	(1,301,418)
Prepaid Expenses	548,281	521,039
Total Current Assets	12,480,224	16,698,151
Investments	1,488,097	1,273,067
Property and Equipment, Net	7,283,489	6,761,949
Other Assets	107,226	94,139
Goodwill	454,333	-
Operating Right-of-Use Assets	4,523,395	4,495,470
Total Assets	$ 26,336,764	$ 29,322,776
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 662,716	$ 734,024
Accrued Payroll and Related Expenses	2,540,017	1,762,286
AHCCCS Payable	-	1,700,390
Cash Accounts Held for Clients	28,820	37,806
Other Accrued Expenses	558,841	491,366
Refundable Advances	64,725	2,619,678
Contract Liabilities - Special Events	50,350	15,675
Current Lease Liability - Operating	1,591,435	1,368,286
Notes Payable, Current Portion	206,886	48,071
Total Current Liabilities	5,703,790	8,777,582
Operating Lease Liability, Noncurrent Portion	3,035,634	3,295,800
Notes Payable, Noncurrent Portion	1,750,578	1,645,466
Deferred Compensation Liability	1,455,570	1,242,547
Total Liabilities	11,945,572	14,961,395
NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,923,988	3,988,701
Expended for Property and Equipment	7,283,489	6,761,949
Designated by the Board	4,000,000	3,500,000
Total Net Assets Without Donor Restrictions	14,207,477	14,250,650
With Donor Restrictions:		
Purpose Restricted	183,715	110,731
Total Net Assets	14,391,192	14,361,381
Total Liabilities and Net Assets	$ 26,336,764	$ 29,322,776

See accompanying Notes to Consolidated Financial Statements.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Fee for Service Contracts	$ 35,907,984	$ -	$ 35,907,984
Grants	10,262,645	-	10,262,645
Contributions	1,024,106	473,006	1,497,112
Contributions - In-Kind	463,317	-	463,317
Tuition and Fees	249,159	-	249,159
Community Living Rental Income	7,194	-	7,194
Retail Sales	76,880	-	76,880
Special Events, Net	78,034	-	78,034
Investment Return, Net	97,320	685	98,005
Other Income	204,127	-	204,127
Gain on Disposal	169,241	-	169,241
Net Assets Released from Restrictions	400,707	(400,707)	-
Total Revenue, Support, and Gains	48,940,714	72,984	49,013,698
EXPENSES AND LOSSES			
Program Services:			
Child and Family Services	9,243,312	-	9,243,312
Behavioral Health	17,597,398	-	17,597,398
Employment and Community Living	12,484,932	-	12,484,932
Foster Care Services	2,979,684	-	2,979,684
Total Program Services	42,305,326	-	42,305,326
Supporting Services:			
Management and General	5,937,758	-	5,937,758
Fundraising	740,803	-	740,803
Total Supporting Services	6,678,561	-	6,678,561
Total Expenses	48,983,887	-	48,983,887
CHANGE IN NET ASSETS	(43,173)	72,984	29,811
Net Assets - Beginning of Year	14,250,650	110,731	14,361,381
NET ASSETS - END OF YEAR	$ 14,207,477	$ 183,715	$ 14,391,192

See accompanying Notes to Consolidated Financial Statements.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Fee for Service Contracts	$ 37,498,468	$ -	$ 37,498,468
Grants	11,840,184	-	11,840,184
Contributions	570,569	852,824	1,423,393
Contributions - In-Kind	468,675	-	468,675
Tuition and Fees	202,606	-	202,606
Community Living Rental Income	19,703	-	19,703
Retail Sales	76,890	-	76,890
Special Events, Net	(13,301)	-	(13,301)
Investment Return, Net	60,056	(2,922)	57,134
Other Income	62,884	-	62,884
Gain on Disposal of Property and Equipment	53,343	-	53,343
Net Assets Released from Restrictions	913,777	(913,777)	-
Total Revenue, Support, and Gains	51,753,854	(63,875)	51,689,979
EXPENSES			
Program Services:			
Child and Family Services	9,376,443	-	9,376,443
Behavioral Health	16,777,498	-	16,777,498
Employment and Community Living	12,482,350	-	12,482,350
Foster Care Services	2,934,573	-	2,934,573
Total Program Services	41,570,864	-	41,570,864
Supporting Services:			
Management and General	8,354,286	-	8,354,286
Fundraising	600,290	-	600,290
Total Supporting Services	8,954,576	-	8,954,576
Total Expenses	50,525,440	-	50,525,440
Impairment of Goodwill	318,500	-	318,500
Total Expenses and Losses	50,843,940	-	50,843,940
CHANGE IN NET ASSETS	909,914	(63,875)	846,039
Net Assets - Beginning of Year	13,340,736	174,606	13,515,342
NET ASSETS - END OF YEAR	$ 14,250,650	$ 110,731	$ 14,361,381

See accompanying Notes to Consolidated Financial Statements.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services					Supporting Services		
	Child and Family Services	Behavioral Health	Employment and Community Living	Foster Care Services	Total Program Services	Management and General	Fundraising	Totals
Salaries and Wages	$ 5,862,097	$ 13,057,371	$ 9,051,480	$ 1,678,686	$ 29,649,634	$ 2,693,932	$ 350,155	$ 32,693,721
Employee Benefits	752,125	1,298,148	956,278	144,814	3,151,365	326,291	50,306	3,527,962
Payroll Taxes	463,191	1,034,838	740,515	133,974	2,372,518	191,890	25,649	2,590,057
Occupancy	378,655	854,591	662,397	87,939	1,983,582	504,545	12,017	2,500,144
Automobile	208,162	188,463	492,992	17,576	907,193	108,611	12,263	1,028,067
Professional Services	325,705	161,501	285	26,310	513,801	589,998	120,480	1,224,279
Supplies	314,152	113,273	333,359	717,752	1,478,536	26,008	17,667	1,522,211
Provider Incentives	512,806	-	-	-	512,806	-	-	512,806
Information Technology	3,932	398,571	2,417	21,597	426,517	260,930	16,063	703,510
Staff Recruitment and Retention	105,504	63,002	28,802	9,678	206,986	37,439	8,061	252,486
Telecommunications	85,733	228,996	90,621	19,640	424,990	126,573	4,947	556,510
Other Operating	45,095	49,194	10,133	14,605	119,027	232,681	27,247	378,955
Interest	-	-	-	-	-	100,935	-	100,935
Fundraising	-	304	-	2,233	2,537	-	207,080	209,617
Travel	74,924	16,568	22,834	8,039	122,365	13,676	32,613	168,654
Sponsorship Facility and Meals	-	-	-	-	-	-	-	-
Equipment	36,021	67,573	48,285	12,113	163,992	71,717	12,798	248,507
Depreciation and Amortization	54,758	16,291	12,773	78,655	162,477	374,854	9	537,340
Professional Liability Insurance	20,351	48,534	31,660	5,626	106,171	90,331	-	196,502
Miscellaneous	101	180	101	447	829	3,335	13	4,177
Total Expenses by Function	9,243,312	17,597,398	12,484,932	2,979,684	42,305,326	5,753,746	897,368	48,956,440
Credit Loss Expense	-	-	-	-	-	184,012		184,012
Total Expenses by Function	9,243,312	17,597,398	12,484,932	2,979,684	42,305,326	5,937,758	897,368	49,140,452
Less: Direct Donor Benefit Costs Netted Against Special Event Revenues	-	-	-	-	-	-	(156,565)	(156,565)
Total Functional Expenses Reported in the Expense Section on the Consolidated Statement of Activities	$ 9,243,312	$ 17,597,398	$ 12,484,932	$ 2,979,684	$ 42,305,326	$ 5,937,758	$ 740,803	$ 48,983,887

See accompanying Notes to Consolidated Financial Statements.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services					Supporting Services		
	Child and Family Services	Behavioral Health	Employment and Community Living	Foster Care Services	Total Program Services	Management and General	Fundraising	Totals
Salaries and Wages	$ 5,585,125	$ 12,278,743	$ 9,070,573	$ 1,636,074	$ 28,570,515	$ 2,832,985	$ 288,954	$ 31,692,454
Employee Benefits	534,549	922,912	675,526	133,397	2,266,384	271,308	40,647	2,578,339
Payroll Taxes	434,645	955,890	731,058	128,905	2,250,498	208,871	21,654	2,481,023
Occupancy	491,002	945,210	730,340	138,656	2,305,208	521,582	10,284	2,837,074
Automobile	209,968	273,611	548,178	27,148	1,058,905	96,387	12,468	1,167,760
Professional Services	393,270	181,063	19,693	16,671	610,697	613,896	52,287	1,276,880
Supplies	359,621	118,261	395,156	664,990	1,538,028	24,403	37,459	1,599,890
Provider Incentives	892,928	-	-	-	892,928	-	-	892,928
Information Technology	1,298	372,650	2,109	15,735	391,792	185,548	5,651	582,991
Staff Recruitment and Retention	141,071	137,660	50,892	12,218	341,841	35,712	2,419	379,972
Telecommunications	81,081	201,459	98,550	26,018	407,108	117,634	5,208	529,950
Other Operating	60,624	54,860	35,736	7,528	158,748	189,817	26,709	375,274
Interest	-	-	-	-	-	101,143	-	101,143
Fundraising	-	-	-	-	-	-	195,861	195,861
Travel	67,305	26,574	11,092	3,760	108,731	7,651	1,937	118,319
Sponsorship Facility and Meals	-	299	-	89	388	437	105,212	106,037
Equipment	64,452	210,829	67,605	38,050	380,936	112,356	3,934	497,226
Depreciation and Amortization	40,437	56,787	14,313	80,093	191,630	312,314	-	503,944
Professional Liability Insurance	18,951	40,178	31,392	5,231	95,752	68,423	-	164,175
Miscellaneous	116	512	137	10	775	5,094	73	5,942
Expenses by Function Before Credit Loss Expense	9,376,443	16,777,498	12,482,350	2,934,573	41,570,864	5,705,561	810,757	48,087,182
Credit Loss Expense	-	-	-	-	-	2,648,725	-	2,648,725
Total Expenses by Function	9,376,443	16,777,498	12,482,350	2,934,573	41,570,864	8,354,286	810,757	50,735,907
Less: Direct Donor Benefit Costs Netted Against Special Event Revenues	-	-	-	-	-	-	(210,467)	(210,467)
Total Functional Expenses Reported in the Expense Section on the Consolidated Statement of Activities	$ 9,376,443	$ 16,777,498	$ 12,482,350	$ 2,934,573	$ 41,570,864	$ 8,354,286	$ 600,290	$ 50,525,440

See accompanying Notes to Consolidated Financial Statements.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 29,811	$ 846,039
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	537,340	503,944
Impairment of Goodwill	-	318,500
Credit Loss Expense	184,012	2,648,725
Net Unrealized (Gain) Loss on Investments	(2,007)	1,350
Change in Investments - Deferred Compensation	(213,023)	(221,733)
Net Loss on Sale of Property and Equipment	-	15,784
Noncash Operating Lease Costs Recovery	(64,942)	(30,531)
Changes in Assets and Liabilities:		
Grants Receivable	61,441	670,467
Contracts Receivable, Gross	166,662	(2,827,324)
Prepaid Expenses	(27,242)	(140,321)
Other Assets	(13,087)	38,171
Accounts Payable	(71,308)	20,160
Accrued Payroll and Related Expenses	777,731	(70,916)
AHCCCS Payable	(1,700,390)	309,941
Cash Accounts Held for Clients	(8,986)	16,109
Other Accrued Expenses	67,475	(277,933)
Refundable Advances	(2,554,953)	605,174
Contract Liabilities - Special Events	34,675	2,500
Deferred Compensation Liability	213,023	221,733
Net Cash Provided (Used) by Operating Activities	(2,583,768)	2,649,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(993,213)	(1,064,307)
Acquisition of Affiliate	(208,000)	-
Net Cash Used by Investing Activities	(1,201,213)	(1,064,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(48,073)	(45,075)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(3,833,054)	1,540,457
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	11,758,514	10,218,057
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 7,925,460	11,758,514
RECONCILIATION TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	$ 7,896,641	11,722,187
Cash Restricted for Client Accounts	28,819	36,327
Total Cash, Cash Equivalents, and Restricted Cash	$ 7,925,460	11,758,514
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 100,935	$ 101,143

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Easterseals Blake Foundation is a nonprofit, community-based organization which provides exceptional services, education, outreach, and advocacy so that people with disabilities can live, learn, work, and play in our communities. Founded in 1950, Easterseals Blake Foundation works in 10 counties of Southern Arizona. Services include comprehensive behavioral health services for children, adults, and families; supported day, employment, and community living programs for individuals with intellectual or physical disabilities; inclusive, quality child-care; early intervention and family preservation services.

Blake Holding Corporation holds title to and manages real and personal property in support of the programs of Easterseals Blake Foundation, an organization related through common management.

Aviva Children's Services is a nonprofit organization incorporated in 1999. The mission of Aviva Children's Services is to improve the quality of life for children who are victims of neglect, abuse, and poverty and in the care of Arizona's Department of Child Safety. Aviva Children's Services responds to the needs of children in foster care by providing programs and resources to enhance their self-esteem and well-being, as well as supplying clothing, shoes, blankets, and personal care items. As of April 1, 2020, Aviva Children's Services began providing behavioral health services to children in foster care and kinship placements. Aviva Children's Services is an organization related through common management.

Mark Counseling LLC is a single member LLC wholly owned by Easterseals Blake Foundation. Mark Counseling LLC was formed by the organization on March 1, 2025 to acquire an organization, see Note 14. Mark Counseling LLC provides behavioral health services.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The consolidated financial statements include the accounts of Easterseals Blake Foundation and its commonly managed affiliates, Blake Holding Corporation and Aviva Children's Services, and its wholly-owned subsidiary, Mark Counseling LLC (collectively referred to as the Organization). All intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Accordingly, net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. The board of directors has designated, from net assets without donor restrictions, net assets for an operating reserve of $4,000,000 to address the defensive interval requirements of a minimum of 30 days of cash and cash equivalents available. In addition, a portion of the net assets without donor restrictions has been designated by the board of directors as expended for property and equipment to reflect the total carrying value after accumulated depreciation of all property, equipment, and intangibles, net of directly related liabilities. Remaining net assets without donor restrictions are available for general operations of the Organization.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Use of Estimates

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions. 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 and assumptions.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of amounts held in Organization bank accounts on behalf of supported employment and community living service clients. At June 30, 2025 and 2024, the restricted cash balance was $28,819 and $36,327, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization reports investments at fair value. Net investment income return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization reduces market risk through diversifying the portfolio among issuers. The Organization's uninsured cash balances approximated $7,040,000 and $10,946,000 at June 30, 2025 and 2024, respectively.

Revenue Recognition

Grants

Grants revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenses in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenses are reported as refundable advances in the consolidated statements of financial position. The Organization received cost-reimbursable grants of $64,725 and $2,619,678 that have been recorded as a refundable advance at June 30, 2025 and 2024, respectively, because qualifying expenses have not yet been incurred.

Fee for Service Contracts

The Organization is a provider of fee for service contracts in which the amount to be paid by the vendor is determined by a formula based on units of service provided by the Organization. Fee for service contracts are recognized as revenue and receivables as the services are rendered and billed using the agreed-upon rate per unit. The vendor is billed monthly for the units of service provided during the preceding month.

Contributions

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 or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give at June 30, 2025 and 2024.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give (pledges receivable) that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for credit losses. As of June 30, 2025 and 2024, the Organization did not have any contributions receivable.

Grants Receivable

Grants receivable is stated at the amount management expects to collect from outstanding balances. Grants receivable is considered by management to be collectible in full and, accordingly, an allowance for credit losses is not considered necessary. Grants receivable is expected to be collected in less than one year.

Contracts Receivable

Contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable credit losses through a provision for credit losses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, historical trends, and available information. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Contracts receivable are expected to be collected in less than one year. Net contracts receivable at July 1, 2024 and 2023 was $3,549,506 and $3,370,907.

Changes in the allowance for credit losses for the years ended June 30, were as follows:

	2025	2024
Balance - Beginning of Year	$ 1,301,418	$ 1,008,179
Provision for Losses	252,521	1,816,965
Amounts Written Off	(843,903)	(1,523,726)
Balance - End of Year	$ 710,036	$ 1,301,418

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

All acquisitions of property and equipment with a cost in excess of $5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 2 to 40 years.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present at June 30, 2025 and 2024.

Goodwill

Goodwill represents the excess of the cost over fair value of the net assets the Organization acquired in the acquisition of Mark Consulting, LLC, in 2025. Gross goodwill recorded was $470,000. Goodwill is amortized over 10 years. Amortization expense for the year ended June 30, 2025 was $15,667 and is included in depreciation and amortization in the consolidated statements of functional expenses.

Through June 30, 2024, goodwill represented the excess of the cost over fair value of the net assets the Organization acquired in the acquisition of Supported Living Systems, Inc. (SLS) in 2013. Subsequent to the acquisition, the activities of SLS became a program of Easterseals Blake Foundation. Gross goodwill recorded was $455,000. Goodwill is amortized over 10 years. Amortization expense for the year ended June 30, 2024 was $45,500 and is included in depreciation and amortization in the consolidated statement of functional expenses.

Management periodically reviews the carrying value of goodwill to determine whether impairment may exist. The Organization considers relevant cash flow and profitability information, including estimated future operating results, trends, and other available information, in assessing whether the carrying value of goodwill can be recovered. At June 30, 2024, the Organization determined the value of the SLS goodwill was fully impaired and was written off. The Organization recorded an impairment loss of $318,500 during the year ended June 30, 2024.

Other Assets

Other assets consist of security deposits paid for leased properties and an investment in the ES Gaming initiative.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees up to a maximum amount to be paid out of 40 hours per employee.

In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers may contribute time to the Organization's program services, administration, and fundraising activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in U.S. GAAP.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Wages	Full-Time Equivalent
Employee Benefits	Full-Time Equivalent
Payroll Taxes	Full-Time Equivalent
Occupancy	Square Footage
Automobile	Time and Effort
Professional Services	Time and Effort
Supplies	Full-Time Equivalent
Information Technology	Time and Effort
Other Operating	Time and Effort

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2025 and 2024, advertising costs totaled $76,487 and $45,417, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

Easterseals Blake Foundation, Blake Holding Corporation, and Aviva Children's Services are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar state of Arizona tax provisions. Mark Counseling LLC is a disregarded entity for tax purposes and is reported on Easterseals Blake Foundation's tax return. In addition, Easterseals Blake Foundation, Blake Holding Corporation, and Aviva Children's Services qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as an organization other than a private foundation under Section 509(a)(2). The Form 990s, Return of Organization Exempt from Income Taxes, are generally subject to examination by the Internal Revenue Service (IRS) for three years after the dates filed. There was no income taxes paid during the years ended June 30, 2025 and 2024.

The Organization's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2025 and 2024, there were no material uncertain tax positions.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating in the consolidated 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. 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 operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2026, which is the date the consolidated financial statements were available to be issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

In March 2026, Blake Holding Corporation refinanced the BMO Harris note payable with First Citizens Bank and Trust Company. The new loan of $1,625,000 bears interest at 5.35% and required 60 monthly payments of principal and interest totaling $11,146 starting May 2026 through March 2031. A balloon payment of all remaining principal and interest is due April 5, 2031. The note is secured by the related real estate and associated rents and guaranteed by Easterseals Blake Foundation and Aviva Children's Services.

In July 2025, the Organization entered into an asset transfer agreement in which they obtained substantially all assets, primarily a building, in exchange for the assumption of its note payable. The note was subsequently refinanced. The refinanced loan terms include principal of $1,575,000, it bears interest at 6.46% and requires monthly payments of principal and interest totaling $10,626 though August 2035. A balloon payment of all remaining principal is due August 26, 2035. The Organization plans to operate an early learning center, offer behavioral health services, and operate a day program for disabled adults on the property.

On July 1, 2025, the Organization's board of directors increased the operating reserve of net assets without donor restrictions to $4,500,000.

On January 1, 2026, the Organization updated its stop-loss policy on the self-insurance program to increase the amount from $75,000 to $100,000.

In September 2025, the Organization terminated its line of credit with BMO Bank, N.A. and entered into a $500,000 line of credit in January 2026 with First Citizens Bank. In April 2026, the Organization additionally opened a $350,000 credit card line with First Citizens Bank.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of June 30 that are available to meet general expenditures within one year of the consolidated statements of financial position date.

	2025	2024
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 7,896,641	$ 11,722,187
Grants Receivable	807,651	869,092
Contracts Receivable, Net	3,908,868	4,850,924
Total Financial Assets	12,613,160	17,442,203
Less Amounts Not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	183,715	110,634
Less: Net Assets with Purpose Restrictions to be Met in Less Than a Year	(183,715)	(110,634)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 12,613,160	$ 17,442,203

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's goal is generally to maintain financial assets to meet 30 days of operating expenses. This standard was established based on defensive interval requirements specified in contracts with the Organization's largest payers. The Organization does not have a formal policy regarding excess cash. The Organization has a $2.75 million credit line available to meet cash flow needs.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended June 30, 2025 and 2024.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at June 30, 2025 and 2024.

Equities and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Oil and Gas Interests: Valued by the custodian using the discounted cash flow approach.

NOTE 3 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at year end are as follows:

		Fair Value Measurements at June 30, 2025 Using		
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Equities	$ 9,940	$ 9,940	$ -	$ -
Mutual Funds	1,476,417	1,476,417	-	-
Oil and Gas Interests	1,740	-	-	1,740
Total Investments at Fair Value	$ 1,488,097	$ 1,486,357	$ -	$ 1,740

		Fair Value Measurements at June 30, 2024 Using		
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments:				
Equities	$ 8,230	$ 8,230	$ -	$ -
Mutual Funds	1,263,127	1,263,127	-	-
Oil and Gas Interests	1,710	-	-	1,710
Total Investments at Fair Value	$ 1,273,067	$ 1,271,357	$ -	$ 1,710

Activity for the year ended June 30, 2025 and 2024 in assets measured on a recurring basis using significant unobservable inputs (Level 3):

	Balance June 30, 2024	Purchases	Change in Fair Value	Balance June 30, 2025
Oil and Gas Interests	$ 1,710	$ -	$ 30	$ 1,740

	Balance June 30, 2023	Purchases	Change in Fair Value	Balance June 30, 2024
Oil and Gas Interests	$ 5,060	$ -	$ (3,350)	$ 1,710

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2025	2024
Land	$ 1,041,913	$ 1,041,913
Buildings and Improvements	9,172,118	8,969,911
Leasehold Improvements	832,997	864,423
Furniture and Equipment	1,275,653	1,291,774
Assets in Progress	476,718	64,862
Vehicles	1,295,542	1,445,938
Total Property and Equipment	14,094,941	13,678,821
Less: Accumulated Depreciation and Amortization	(6,811,452)	(6,916,872)
Property and Equipment, Net	$ 7,283,489	$ 6,761,949

Depreciation expense was $521,673 and $458,445 for the years ended June 30, 2025 and 2024, respectively.

NOTE 5 NET ASSETS

The following is a summary of net assets with donor restrictions at June 30:

Specific Purpose:	2025	2024
Capital Campaign	$ 82,596	$ 5,097
Banner Community Reinvestment	44,214	44,214
Inspiring Sobriety	38,511	38,511
Blair Basketball Camp	5,000	5,000
Blues in Bisbee	12,500	12,500
Sibling Reunion Picnics	227	1,771
Bags for Kids (Divas)	667	3,638
Total	$ 183,715	$ 110,731

NOTE 5 NET ASSETS (CONTINUED)

Net assets released from donor restrictions are as follows:

Satisfaction of Purpose Restrictions:	2025	2024
LISC Infrastructure	$ -	$ 325,000
Banner Community Reinvestment	-	5,786
Inspiring Sobriety	-	6,489
Bruce Foundation	-	14,000
Cooking with the Stars	-	1,337
Blues in Bisbee	-	3,567
Capital Campaign	-	215,868
Aviva Children's Emergency Needs	390,872	259,971
Sibling Reunion Picnics	6,864	3,853
Bags for Kids (Divas)	2,971	3,772
Holiday and Toy Program	-	73,681
Lifebooks	-	370
Behavior Health - Ranch	-	83
Total	$ 400,707	$ 913,777

NOTE 6 LEASES

The Organization leases equipment, vehicles, and real estate for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2035 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Organization's leases as of or for the years ended June 30:

	2025	2024
Lease Costs:		
Operating Lease Costs	$ 1,881,401	$ 1,791,132
Short-Term Lease Costs	-	1,061,287
Total Lease Costs	$ 1,881,401	$ 2,852,419
Other Information:		
Operating Cash Flows for Operating Leases	$ 1,769,708	$ 1,791,132
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 1,598,884	$ 1,821,661
Weighted-Average Remaining Lease Term - Operating Leases	4.61 Years	5.15 Years
Weighted-Average Discount Rate - Operating	4.25%	4.33%

NOTE 6 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025 is as follows:

Year Ending June 30,	Amount
2026	$ 1,634,429
2027	1,202,873
2028	929,770
2029	604,976
2030	236,231
Thereafter	728,455
Total Lease Payments	5,336,734
Less: Interest	(709,665)
Present Value of Lease Liabilities	$ 4,627,069

The amounts are presented in the consolidated statements of financial position at June 30 as follows:

	2025	2024
Current Lease Liability - Operating	$ 1,591,435	$ 1,368,286
Operating Lease Liability, Noncurrent Portion	3,035,634	3,295,800
Balance - End of Year	$ 4,627,069	$ 4,664,086

NOTE 7 NOTES PAYABLE

Notes payable consist of the following at June 30:

Description	2025	2024
Note payable to BMO Harris dated December 24, 2018. Monthly installments of $12,185 at 5.79% interest, with a final balloon payment of approximately $1,467,933 due December 24, 2028. Collateralized by a deed of trust on real property and assignment of rents.	$ 1,645,464	$ 1,693,537
Note payable to the former owner of Mark Counseling LLC dated December 13, 2024. The note requires two annual payments of $156,000 on the anniversary of the note and bears interest at 5%.	312,000	-
Total Notes Payable	1,957,464	1,693,537
Less: Current Portion	(206,886)	(48,071)
Notes Payable, Noncurrent, Net	$ 1,750,578	$ 1,645,466

NOTE 7 NOTES PAYABLE (CONTINUED)

The future scheduled maturities of notes payable are as follows:

Year Ending June 30,	Amount
2026	$ 206,886
2027	210,048
2028	57,062
2029	1,483,468
Total	$ 1,957,464

Note Covenants

In connection with the BMO Harris note payable, the Organization is required to maintain a fixed charge ratio of at least 1.10 to 1.00 and a debt to net worth ratio of not more than 0.65 to 1.00 as measured at each fiscal year-end. In the opinion of management, the Organization was in compliance with both covenants at June 30, 2025 and 2024.

NOTE 8 LINE OF CREDIT

The Organization has a $2,750,000 evergreen line of credit with BMO Bank N.A. Interest accrues and is payable monthly at the secured overnight financing rate. The line of credit is secured by the assets of the Organization. Under the terms of the agreement, the Company is required to satisfy certain restricted financial covenants. In the opinion of management, the Organization was in compliance with the covenants at June 30, 2025 and 2024. There were no draws on the line of credit during the years ended June 30, 2025 and 2024 and there were no outstanding borrowings at June 30, 2025 and 2024.

NOTE 9 CONCENTRATIONS

The Organization receives significant amounts (greater than 10%) of revenue from grants and contracts as follows for the years ended June 30, 2025 and 2024:

2025 Funding Source	Revenues	Percentage
Arizona Department of Economic Security	$ 14,216,364	31%
Arizona Complete Health	6,093,638	13%
Banner Health Network	4,642,834	10%

2024 Funding Source	Revenues	Percentage
Arizona Department of Economic Security	$ 14,204,662	29%
Arizona Complete Health	7,366,142	15%
Banner Health Network	5,228,856	11%
Mercy Care	5,079,616	10%

NOTE 9 CONCENTRATIONS (CONTINUED)

As of June 30, 2025 and 2024, significant receivables related to grants and contracts were due from:

2025 Funding Source	Receivables	Percentage
Arizona Department of Economic Security	$ 1,393,932	35%
Arizona Complete Health	677,639	17%
Arizona Department of Health Services	431,745	11%

2024 Funding Source	Receivables	Percentage
Arizona Department of Economic Security	$ 1,687,175	29%
Arizona Department of Health Services	1,115,524	20%
Arizona Complete Health	955,756	17%
Banner Health Network	649,858	11%

NOTE 10 COMMITMENTS AND CONTINGENCIES

From time to time, the Organization may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the Organization’s consolidated financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. In the opinion of management, the liability, if any, for such contingencies will not have a material effect on the Organization’s financial position.

In December 2024, the Organization entered into a contract to purchase a new electronic health record system. Remaining costs at June 30, 2025 are estimated to be approximately $550,000.

NOTE 11 EMPLOYEE BENEFIT PLANS

Tax-Deferred Annuity Plan

The Organization has a tax-deferred annuity plan that qualifies under Section 403(b) of the IRC. The plan covers full-time employees of the Organization. At the board of directors’ discretion, the Organization may match employee contributions at the rate of $0.50 per $1.00 up to a maximum of 6% of gross salaries to the plan for qualified employees. Employees can elect to make contributions to the plan up to the maximum amount allowed by the IRC. Plan expenses were $272,201 and $260,963 for the years ended June 30, 2025 and 2024, respectively.

NOTE 11 EMPLOYEE BENEFIT PLANS (CONTINUED)

Deferred Compensation Plan

The Organization has a 457(b) eligible deferred compensation plan (457(b) Plan) that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the IRS. The 457(b) Plan covers employees of the Organization whose annual salary is in excess of limits imposed by the IRS. The Organization reports assets and liabilities of equal amounts attributable to the amount deferred and the related investment earnings. The Organization's invested deferred compensation assets consist of mutual funds which are classified as Level 1 securities in accordance with U.S. GAAP. The balance in the deferred compensation plan as of June 30, 2025 and 2024 is $1,455,570 and $1,242,547, respectively.

Deferred compensation activity for the year ended June 30 consists of the following:

	2025	2024
Balance - Beginning of Year	$ 1,242,547	$ 1,020,814
Employer Contributions	44,983	40,038
Employee Contributions	44,983	40,038
Change in Fair Value	123,057	141,657
Balance - End of Year	$ 1,455,570	$ 1,242,547

NOTE 12 RISK MANAGEMENT

The Organization maintains a self-insurance program for its employees' health care costs. The Organization is liable for losses on claims up to $75,000 per claim and $2,031,161 in total for the year. The Organization has third party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the consolidated statement of financial position date as well as an estimated liability for claims incurred but not reported, with a two-year lookback. The total accrued liability for self-insurance costs was $377,440 and $321,428 as of June 30, 2025 and 2024, respectively, and is included in other accrued expenses on the consolidated statements of financial position.

NOTE 13 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets during the fiscal year, which were utilized for the program or supporting service indicated for the years ended June 30:

	Program Services				Supporting Services		
2025	Children and Family Services	Behavioral Health	Employment and Community Living	Foster Care Services	Management and General	Fundraising	Total
Auction Items	$ -	$ -	$ -	$ -	$ -	$ 24,211	$ 24,211
Baby Equipment and Supplies	-	-	-	2,517	-	-	2,517
Books and Publications	-	-	-	53,118	-	-	53,118
Clothing and Household Goods	5,043	10,398	8,717	281,739	6,012	554	312,463
Food Supply	834	5,610	14,528	8,182	2,825	1,215	33,194
Gift Cards	80	-	-	1,994	100	-	2,174
Hygiene and Personal Care	-	-	-	20,564	-	-	20,564
School Supplies	-	-	-	14,304	-	-	14,304
Services	-	-	-	772	-	-	772
Total	$ 5,957	$ 16,008	$ 23,245	$ 383,190	$ 8,937	$ 25,980	$ 463,317

	Program Services				Supporting Services		
2024	Children and Family Services	Behavioral Health	Employment and Community Living	Foster Care Services	Management and General	Fundraising	Total
Auction Items	$ -	$ -	$ -	$ -	$ -	$ 25,418	$ 25,418
Books and Publications	-	-	-	632	-	-	632
Clothing and Household Goods	6,738	845	3,838	266,376	-	435	278,232
Entertainment	63	-	-	6,500	-	-	6,563
Food Supply	6,887	34,866	42,707	14,226	12,489	9,554	120,729
Gift Cards	100	-	500	11,482	-	4,555	16,637
Hygiene and Personal Care	-	-	-	6,715	-	-	6,715
Professional Services	-	-	286	-	-	557	843
School Supplies	-	-	-	12,906	-	-	12,906
Total	$ 13,788	$ 35,711	$ 47,331	$ 318,837	$ 12,489	$ 40,519	$ 468,675

Contributed nonfinancial assets received by the Organization are recorded as in-kind contribution revenue with a corresponding in-kind expense. Contributed nonfinancial assets are valued at retail prices that would be received for similar products. There was no donor-imposed restrictions associated with the donated goods. There were no contributed nonfinancial assets monetized during the years ended June 30, 2025 and 2024.

NOTE 14 BUSINESS COMBINATION

On March 1, 2025, the Organization acquired The Mark, Youth and Family Care Campus, Inc. The transaction was considered to be an acquisition under U.S. GAAP. As such, the Organization is required to recognize and measure the identifiable assets acquired and liabilities assumed at the date of acquisition.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed on the date of acquisition:

Goodwill	$	470,000
Property and Equipment		50,000
Note Payable		(312,000)
Net Cash Paid	$	208,000

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Easterseals Blake Foundation and Affiliates
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Easterseals Blake Foundation and Affiliates, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 30, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Easterseals Blake Foundation and Affiliates' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easterseals Blake Foundation and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Easterseals Blake Foundation and Affiliates' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, to be a material weakness.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tucson, Arizona
March 30, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Easterseals Blake Foundation and Affiliates
Tucson, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Easterseals Blake Foundation and Affiliates' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Easterseals Blake Foundation and Affiliates' major federal programs for the year ended June 30, 2025. Easterseals Blake Foundation and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs

In our opinion, Easterseals Blake Foundation and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Easterseals Blake Foundation and Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Easterseals Blake Foundation and Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Easterseals Blake Foundation and Affiliates' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Easterseals Blake Foundation and Affiliates' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Easterseals Blake Foundation and Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Easterseals Blake Foundation and Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Easterseals Blake Foundation and Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Easterseals Blake Foundation and Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Easterseals Blake Foundation and Affiliates

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Easterseals Blake Foundation and Affiliates as of and for the year ended June 30, 2025, and have issued our report thereon dated March 30, 2026, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tucson, Arizona
March 30, 2026

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture:				
Child and Adult Care Food Program				
Pass-Through the Arizona Department of Education	10.558	KR02-1170-ALS	$ -	$ 110,403
U.S. Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities				
Pass-Through the Arizona Department of Transportation	20.513	AZ-2020-050	-	2,140
Pass-Through the Arizona Department of Transportation	20.513	AZ-2023-047	-	16,487
Pass-Through the Arizona Department of Transportation	20.513	AZ-2022-030	-	80,155
Subtotal Transit Services Program Cluster			-	98,782
Rural Transit Assistance Program				
Pass-Through the Arizona Department of Transportation	20.509	FTA-2019-005-TPM-NRTAP	-	1,377
Total U.S. Department of Transportation			-	100,159
U.S. Department of Health and Human Services:				
Maternal, Infant and Early Childhood Home Visiting Grant				
Pass-Through the Arizona Department of Health Services	93.870	X1145280, X1053598, X1046851	-	1,240,475
Block Grants for Community Mental Health Services				
Pass-Through the Arizona Department of Health Services	93.958	HDHS	-	159,444
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution				
Pass-Through the Arizona Health Care Cost Containment System	93.498	FY24 Year 2-3	-	1,774,965
Pass-Through the Arizona Division of Developmental Disabilities	93.498	FY24 Year 2-3	-	620,097
Subtotal Provider Relief Fund and ARP Rural Distribution			-	2,395,062
Total U.S. Department of Health and Human Services			-	3,794,981
Total Expenditure of Federal Awards			$ -	$ 4,005,543

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Easterseals Blake Foundation and Affiliates (the Organization) under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net position or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The auditee elected to use the de minimis cost rate.

NOTE 3 ASSISTANCE LISTING NUMBERS

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two- digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

EASTERSEALS BLAKE FOUNDATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? __x__ yes ____ no
   - Significant deficiency(ies) identified? ____ yes __x__ none reported

3. Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ____ yes __x__ no
   - Significant deficiency(ies) identified? ____ yes __x__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ yes __x__ no

Identification of Major Federal Programs

Assistance Living Number(s)	Name of Federal Program or Cluster
93.498	Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution
93.87	Maternal, Infant and Early Childhood Home Visiting Grant

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? ____ yes __x__ no

Section II – Financial Statement Findings

2025 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During 2025, the Organization updated various lease right-of-use asset and lease liability calculations without any current year lease modifications. A stratified statistical sampling approach was used in the analysis of balances. As a result of errors identified, the extrapolated impact of these adjustments to the population resulted in an overstatement of the right-of-use assets and a corresponding overstatement of lease liabilities of approximately $300,000 at June 30, 2025.

Criteria or specific requirement: The lease calculations are not in compliance with the accounting rules of Financial Accounting Standards Board's Accounting Standards Codification Topic 842, *Leases.*

Effect: The Organization's right-of-use assets and lease liabilities are overstated by a projected $300,000 at June 30, 2025.

Cause: The Organization did not have the proper controls in place to ensure that the calculations are reviewed and approved by a member of the finance team with knowledge of the requirements under Topic 842, *Leases*.

Repeat Finding: No.

Recommendation: We recommend that management institute controls to ensure that lease calculations are done under the guidance of Topic 842, *Leases*.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. See corrective action plan.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with *2 CFR 200.516(a).*

Global

INDEPENDENT
NETWORK MEMBER