

EASTER SEALS
SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2010

EASTER SEALS SOUTHWEST FLORIDA, INC.
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Christopher, Smith, Leonard,
Bristow & Stanell, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Easter Seals Southwest Florida, Inc.
Sarasota, Florida

We have audited the accompanying statements of financial position of Easter Seals Southwest Florida, Inc. (a nonprofit organization) as of August 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended, and the statement of functional expenses for the year ended August 31, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative statement of functional expenses has been derived from the Organization's 2009 financial statements and, in our report dated January 29, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Easter Seals Southwest Florida, Inc. as of August 31, 2010 and 2009, and the results of its operations, and cash flows for the years then ended, and the functional expenses for the year ended August 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

December 22, 2010
Bradenton, Florida

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31,

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 78,676	\$ 84,700
Cash restricted	25,972	27,921
Investments	222,594	234,526
Interest in net assets of Foundation	8,245,770	9,060,019
Accounts receivable, net	164,671	225,714
Prepaid expenses	44,096	30,270
Deposits	17,055	16,043
Remainder trusts receivable	717,645	710,445
Property, plant and equipment, net	<u>1,771,170</u>	<u>1,867,299</u>
TOTAL ASSETS	<u>\$ 11,287,649</u>	<u>\$ 12,256,937</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 20,062	\$ 42,264
Other accrued expenses	145,536	136,852
Line of credit - Foundation	57,590	-
Deferred revenue-pooled income fund	<u>18,720</u>	<u>18,672</u>
Total Liabilities	241,908	197,788
Net Assets		
Unrestricted	1,852,481	2,047,396
Temporarily restricted	751,537	743,344
Permanently restricted	<u>8,441,723</u>	<u>9,268,409</u>
Total Net Assets	<u>11,045,741</u>	<u>12,059,149</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,287,649</u>	<u>\$ 12,256,937</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2010

	UNRESTRICTED	TEMPORARILY UNRESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 262,574	\$ 2,991	\$ -	\$ 265,565
Bequests and trusts	13,916	-	-	13,916
Special events	75,131	-	-	75,131
Less: Special events direct (expenses)	(32,636)	-	-	(32,636)
Total Public Support	318,985	2,991	-	321,976
Program Revenue	1,390,326	-	-	1,390,326
Other Revenue:				
Contributions from Foundation	1,051,235	-	-	1,051,235
Investment income (loss)	16,588	-	-	16,588
Change in value of split interest agreement	-	131,274	-	131,274
Other income	20,761	-	-	20,761
Total Other Revenue	1,088,584	131,274	-	1,219,858
Total Public Support and Revenue	2,797,895	134,265	-	2,932,160
Reclassifications:				
Net assets released from restrictions	138,509	(126,072)	(12,437)	-
Total Public Support, Revenue and Reclassification	2,936,404	8,193	(12,437)	2,932,160
Expenses:				
Program services	2,623,031	-	-	2,623,031
Fundraising	221,014	-	-	221,014
Management and General	241,698	-	-	241,698
	3,085,743	-	-	3,085,743
Payments to Easter Seals National	45,576	-	-	45,576
Total Expenses	3,131,319	-	-	3,131,319
Change in net assets before adjustment for interest in Foundation	(194,915)	8,193	(12,437)	(199,159)
Adjustment for change in interest in net assets of Foundation	-	-	(814,249)	(814,249)
Increase (decrease) in net assets	(194,915)	8,193	(826,686)	(1,013,408)
Net assets at beginning of year	2,047,396	743,344	9,268,409	12,059,149
Net assets at end of year	\$ 1,852,481	\$ 751,537	\$ 8,441,723	\$ 11,045,741

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

	UNRESTRICTED	TEMPORARILY UNRESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 340,281	\$ -	\$ -	\$ 340,281
Bequests and trusts	304,359	-	-	304,359
Special events	70,782	-	-	70,782
Less: Special events direct (expenses)	(37,539)	-	-	(37,539)
Total Public Support	677,883	-	-	677,883
Program Revenue	1,384,748	-	-	1,384,748
Other Revenue:				
Contributions from Foundation	1,146,323	-	-	1,146,323
Investment income (loss)	(16,385)	-	-	(16,385)
Change in value of split interest agreement	-	(70,253)	-	(70,253)
Other income	11,545	-	-	11,545
Total Other Revenue	1,141,483	(70,253)	-	1,071,230
Total Public Support and Revenue	3,204,114	(70,253)	-	3,133,861
Reclassifications:				
Net assets released from restrictions	126,644	(57,358)	(69,286)	-
Total Public Support, Revenue and Reclassification	3,330,758	(127,611)	(69,286)	3,133,861
Expenses:				
Program services	2,988,207	-	-	2,988,207
Fundraising	245,836	-	-	245,836
Management and General	332,966	-	-	332,966
	3,567,009	-	-	3,567,009
Transfers to Foundation	-	-	-	-
Total Expenses	3,567,009	-	-	3,567,009
Change in net assets before adjustment for interest in Foundation	(236,251)	(127,611)	(69,286)	(433,148)
Adjustment for change in interest in net assets of Foundation	-	-	(2,155,295)	(2,155,295)
Increase (decrease) in net assets	(236,251)	(127,611)	(2,224,581)	(2,588,443)
Net assets at beginning of year	2,283,647	870,955	11,492,990	14,647,592
Net assets at end of year	\$ 2,047,396	\$ 743,344	\$ 9,268,409	\$ 12,059,149

The accompanying notes are an integral part of these financial statements

TOTAL PROGRAM SERVICES	SUPPORTING SERVICES				SUMMARIZED INFORMATION FOR THE YEAR ENDED AUGUST 31, 2009 TOTALS
	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2010 TOTALS	
\$ 1,188,355	\$ 102,027	\$ 119,964	\$ 221,991	\$ 1,410,346	\$ 1,626,555
279,755	22,622	27,573	50,195	329,950	299,285
138,161	10,782	21,152	31,934	170,095	132,449
1,606,271	135,431	168,689	304,120	1,910,391	2,058,289
30,098	16,303	(332)	15,971	46,069	60,536
-	-	22,414	22,414	22,414	263,642
4,822	-	-	-	4,822	3,301
975	1,902	476	2,378	3,353	48,259
78	500	-	500	578	1,120
34,830	34,748	-	34,748	69,578	93,695
-	-	-	-	-	21,172
929	6,701	373	7,074	8,003	1,339
694	113	148	261	955	5,373
86,935	2,282	(13,980)	(11,698)	75,237	9,216
86,825	445	18,051	18,496	105,321	129,802
530,911	14,745	12,830	27,575	558,486	546,900
3,856	-	-	-	3,856	3,260
882	-	1,711	1,711	2,593	19,557
4,521	-	-	-	4,521	42,543
5,311	487	1,210	1,697	7,008	5,842
25,772	-	-	-	25,772	16,498
22,631	1,121	5,164	6,285	28,916	31,130
840,070	79,347	48,065	127,412	967,482	1,303,185
2,446,341	214,778	216,754	431,532	2,877,873	3,361,474
176,690	6,236	24,944	31,180	207,870	205,535
<u>\$ 2,623,031</u>	<u>\$ 221,014</u>	<u>\$ 241,698</u>	<u>\$ 462,712</u>	<u>\$ 3,085,743</u>	<u>\$ 3,567,009</u>

The accompanying notes are an integral part of these financial statements.

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31,

	2010	2009
Cash flows from operating activities:		
Collections from Consumers	\$ 1,428,957	\$ 1,194,601
Operating expenses paid	(2,871,801)	(2,975,636)
Interest received	5,817	7,263
Other income received	1,404,741	1,812,446
Net cash provided by (used in) operating activities	<u>(32,286)</u>	<u>38,674</u>
Cash flow from investing activities		
(Purchases) of buildings and equipment	(111,741)	(67,607)
Receipt of remainder trust	124,122	-
(Purchases) sales of investments, net	11,932	72,297
Net cash (used in) provided by investing activities	<u>24,313</u>	<u>4,690</u>
Net (Decrease) Increase in cash and cash equivalents	(7,973)	43,364
Cash and cash equivalents, Beginning of year	<u>112,621</u>	<u>69,257</u>
Cash and cash equivalents, End of year	<u>\$ 104,648</u>	<u>\$ 112,621</u>
Reconciliation of Net Assets to net cash from Operating Activities:		
(Decrease) Increase in Net Assets	\$ (1,013,408)	\$ (2,588,443)
Adjustments to reconcile (decrease) increase in net assets to cash provided by (used in) operating activities:		
Depreciation	207,870	205,535
Bad debts	22,414	263,643
Change in Value of Split Interest Agreements	(131,274)	70,253
Change in Net Assets of Foundation	814,249	2,155,295
(Increase) Decrease in assets:		
Due from Foundation	-	105,000
Accounts receivable	38,629	(190,147)
Bequests and other receivables	-	24,500
Prepaid expenses	(13,826)	(4,871)
Other assets	(1,012)	-
Increase (Decrease) in liabilities:		
Accounts payable	(22,202)	(5,528)
Other accrued expenses	8,684	3,437
Due to Foundation	57,590	-
Net cash provided by (used in) operating activities	<u>\$ (32,286)</u>	<u>\$ 38,674</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Easter Seals Southwest Florida, Inc., (the Organization) is a not-for-profit Organization located in Manatee and Sarasota counties. The Organization creates solutions that change lives for children, adults and families through high quality therapeutic, educational and support services. The Organization offers various programs in achieving its mission, including: Day and employment services, community living, early child development, rehabilitation, and Community Services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board in the Accounting Standards Codification (ASC).

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash and cash equivalents. Cash and money market funds held with investment accounts are not considered a cash equivalent. The Organization had restricted cash in the amount of \$25,972 at year end. Cash is restricted based on purpose or time restrictions from donors.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

The Organization reports its investments at fair market value in accordance with generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Activities, and reported as unrestricted, temporarily restricted or permanently restricted depending on the nature of specified restrictions or lack thereof.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable includes both accounts and contracts receivable. Accounts receivable consists of billings to individuals, state agencies, insurance companies, and other third parties. Accounts receivable are recorded at the net realizable value at year end. The Organization uses the allowance method to account for uncollectible receivables. The allowance is estimated based on historical experience and currently known facts and circumstances of specific accounts. Contracts receivable consists of billings based on contracts with various agencies and organizations to provide rehabilitative, development and child care services. An allowance for doubtful accounts has been established for accounts receivable at August 31, 2010 and 2009 in the amount of \$29,066 and \$46,566, respectively.

Bequests Receivable

Bequests are recorded at the date the Organization receives irrevocable notice of its interest in an estate and after the probate court declares a will to be valid. Bequests are recognized as a contribution and a receivable at the fair value interest in the estate.

Remainder Trust Receivable

The Organization has been named the remainderman in various irrevocable charitable remainder trusts. The Organization records a receivable in the amount of the expected benefit upon receiving notification of a legally enforceable benefit. The Organization's beneficial interest in the trust's assets is measured at the present value of the estimated distributions that are expected to be received in the future, which may also be estimated using the fair value of the Organization's interest in the remainder trust's assets at year end. The discount rate utilized to measure the present value of future distributions is based upon the stated rate of return to be received by the designated life income beneficiaries included in the trust's terms.

Property, Plant and Equipment

Property, plant, and equipment are recorded at cost if purchased, and estimated fair value if donated. The Organization's capitalization policy is to capitalize all items of \$500 or more with an estimated useful life of more than one year. Buildings and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets ranging from 4 to 40 years. Depreciation expense for the years ended August 31, 2010 and 2009 was \$207,870 and \$205,535, respectively. Repair and maintenance costs are expensed as incurred and the Organization is not currently planning any major maintenance activities.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted support that increases that classification of net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. All contributions received with donor imposed restrictions, which expire within the same fiscal year, are classified as increases in unrestricted net assets.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation. Accordingly, no provision has been made for income taxes in the accompanying financial statements. The Organization adopted guidance issued by the FASB on accounting for uncertainty in tax positions. The adoption of this guidance had no effect on the Organization's financial position. Management believes the Organization has no material unrecognized income tax liabilities, including any potential loss of its tax exempt status. The Organization has no ongoing federal, state or local tax audits; however, the Organization's tax returns for fiscal year end 2006 and subsequent years remain open to examination.

Concentrations Of Credit Risk

The Organization maintains numerous bank accounts at one institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time throughout the year, amounts may exceed FDIC limits. No amounts were in excess of the FDIC limit at August 31, 2010.

Donated Assets and Services

Donated assets are recorded at their estimated fair market value at the date of donation. Donated assets and services in the amount of \$69,578 and \$93,695 have been recognized as a revenue and an expense during the years ended August 31, 2010 and 2009, respectively. The donated services were performed by teachers, which were provided by Sarasota and Manatee Counties at no cost to the Organization. The donated assets include goods and services received in conjunction with programs and special events.

In addition, a substantial number of volunteers have donated their time to assist the Organization with its program services and fundraising campaigns. These services have not been recorded in the financial statements since an objective basis is not available to measure the value of such services.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Fair Value Measurements

The Organization follows generally accepted accounting principles for fair value measurements and disclosures. ASC Section 820-10-50-2 establishes a hierarchy framework for measuring fair value of financial instruments. The hierarchy is described below and listed in order of priority:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information for the statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2009, from which the summarized information was derived.

NOTE B – INVESTMENTS

Investments were as follows:

<u>AUGUST 31, 2010</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED DEPRECIATION</u>
Temporarily restricted funds	\$ 29,709	\$ 26,641	\$ (3,068)
Permanently restricted funds	209,393	195,953	(13,440)
Total	<u>\$ 239,102</u>	<u>\$ 222,594</u>	<u>\$ (16,508)</u>
 <u>AUGUST 31, 2009</u>	 <u>COST</u>	 <u>MARKET VALUE</u>	 <u>UNREALIZED DEPRECIATION</u>
Temporarily restricted funds	\$ 30,337	\$ 26,136	\$ (4,201)
Permanently restricted funds	232,872	208,390	(24,482)
Total	<u>\$ 263,209</u>	<u>\$ 234,526</u>	<u>\$ (28,683)</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

Investments consist of the following at August 31,:

	<u>2010</u> <u>FAIR MARKET</u> <u>VALUE</u>	<u>2009</u> <u>FAIR MARKET</u> <u>VALUE</u>
Money market funds	\$ 14,802	\$ 18,600
Mutual funds:		
Corporate bond funds	98,490	106,292
Stock funds	<u>109,302</u>	<u>109,634</u>
Total	<u>\$ 222,594</u>	<u>\$ 234,526</u>

Investment income (loss) is comprised of the following amounts at August 31,:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 5,817	\$ 7,262
Realized gains on investments	-0-	683
Unrealized gains (losses) on investments	<u>10,771</u>	<u>(24,330)</u>
Total	<u>\$ 16,588</u>	<u>\$ (16,385)</u>

Fair Value Measurements

The following table sets forth the level, within the fair value hierarchy, of the Organization's assets at fair value at: (see Note A for definitions).

	<u>Assets at Fair Value as of June 30, 2010</u>		
	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
Interest in net assets of Foundation	\$ 8,245,770	\$ 4,072,515	\$ 4,173,255
Interest in Remainder Trusts	717,645	-0-	717,645
Investments	<u>222,594</u>	<u>222,594</u>	<u>-0-</u>
Totals	<u>\$ 9,186,009</u>	<u>\$ 4,295,109</u>	<u>\$ 4,890,900</u>

	<u>Assets at Fair Value as of June 30, 2009</u>		
	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>
Interest in net assets of Foundation	\$ 9,060,019	\$ 4,837,882	\$ 4,222,137
Interest in Remainder Trusts	710,445	-0-	710,445
Investments	<u>234,526</u>	<u>234,526</u>	<u>-0-</u>
Totals	<u>\$ 10,004,990</u>	<u>\$ 5,072,408</u>	<u>\$ 4,932,582</u>

The following methods and assumptions were used to estimate the fair values of the Organization's financial instruments at August 31, 2010 and 2009:

Investments include mainly short-term securities, such as money markets, equity investments and bond funds all with quoted market prices in an active market and are valued at Level 1.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

Interest in net assets of the Foundation is based on the fair value of the assets held by the Foundation at year end. The Foundation assets held at year end consist of cash and cash equivalents and other assets which approximates fair value and is considered a Level 1. It also holds equity securities, and equity and fixed income traded funds that are valued at quoted market prices in actively traded markets and are also considered Level 1. The Foundation also has beneficial interests in perpetual trusts which are recorded at the fair value of the underlying investments of the trusts multiplied by the Foundation's interest in the trusts and is considered level 2. These classifications are consistent with the classifications within the Foundation. The interest in the remainder trusts are valued based on the Organization's beneficial interest in the trust's assets as determined by the present value of the estimated distributions that are expected to be received in the future, which also estimates the fair value of the Organization's interest in the remainder trust's assets at year end. The fair value of the underlying assets in the Trust is based on Level 1 inputs. However, the Organization calculates its interest by using a discount rate for expected future distributions to approximate present value. As a result, it is considered Level 2.

NOTE C – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at August 31, 2010 and 2009:

	2010		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	194,669	140,753	53,916
Buildings and improvements	2,854,098	1,660,570	1,193,528
Vehicles	329,498	301,397	28,101
Furniture, fixtures and Equipment	294,612	237,658	56,954
Total	<u>\$ 4,111,548</u>	<u>\$ 2,340,378</u>	<u>\$ 1,771,170</u>
	2009		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	193,019	133,401	59,618
Construction in process	14,400	-0-	14,400
Buildings and improvements	2,753,887	1,529,797	1,224,090
Vehicles	329,498	282,362	47,136
Furniture, fixtures and Equipment	271,912	188,528	83,384
Total	<u>\$ 4,001,387</u>	<u>\$ 2,134,088</u>	<u>\$ 1,867,299</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available consist of the following at August 31,:

	<u>2010</u>	<u>2009</u>
Charitable Remainder Trusts	\$ 717,645	\$ 710,445
Grants Restricted by donors	25,972	27,921
Pooled Income fund	7,920	4,978
Total	<u>\$ 751,537</u>	<u>\$ 743,344</u>

Temporarily restricted net assets in the amount of \$126,072 and \$57,358 were released from restrictions during fiscal years 2010 and 2009, respectively, for the purpose of providing assistance to individuals with disabilities.

NOTE E – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment fund held by Northern Trust, in the amount of \$195,953 from which the income is available for use to support the Organization, at the discretion of the trustees. Permanently restricted net assets in the amount of \$12,437, which amounted to distributions in excess of earnings, were released from restrictions during fiscal year 2010. In addition, the Organization's interest in the net assets of the Easter Seals Southwest Florida Foundation, Inc., (Foundation) in the amount of \$8,245,770 has been recorded as permanently restricted net assets at August 31, 2010.

The Organization has one donor restricted endowment fund. The endowment is considered permanently restricted based on donor imposed restrictions on the principal balance. Income from the endowment is distributed and used in accordance with the endowment document. At year end, the Organization considered all of the amounts included in the endowment fund permanently restricted based on the document. Investment income is included as part of the change in unrestricted net assets unless required to be retained as part of permanently restricted net assets. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) Requirements of the endowment fund; 2) The purpose of the Organization; 3) General economic conditions; 4) Investment policies; 5) Operating budget and current costs.

The Organization's overall investment policy covers the endowment fund. The Organization manages contributions in a manner that will maximize the benefit intended by the donor, produce income to support the work of the Organization, and achieve growth of principal value sufficient to increase the purchasing power of the assets over time. Secondly, the objective is to maintain a sufficient degree of flexibility to meet the changing environment.

Assets are diversified to insure that adverse results from any one security or securities will not have a detrimental impact on the entire portfolio. Asset allocation is an important tool to achieve desired results. The decision on how to allocate assets is based on the needs and circumstances during any period of time.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – PERMANENTLY RESTRICTED NET ASSETS – CONTINUED

The following risk parameters are in place:

	Percent of Total Fund		
	Minimum	Target	Maximum
Cash and cash equivalents	5%	5%	10%
Equities	30%	55%	75%
Fixed Income	25%	40%	70%

In addition, no more than 10% may be concentrated in equities or a fixed income strategy of a single company or 15% in the same industry. Investments in any one company may not exceed 5% of its common shares outstanding. All fixed income issues shall be investment grade or better as rated by S&P or Moodys.

All of the investment objectives and strategies are in place to achieve the Organization's mission. Distributions are in accordance with the endowment document and considers both the short and long-term expected returns of the endowment fund. Overall, the Board's policy is to protect and preserve the assets and appropriate amounts necessary and allowable in accordance with the terms of the endowment document. The investment policy contemplates a distribution range of 4% – 6% of the average asset market values for the most recent three fiscal years.

For the years ended August 31, 2010 and 2009, the Organization had the following endowment-related activities:

	2010	2009
Beginning Balance	\$ 208,390	\$ 277,677
Investment return		
Investment income	5,059	6,443
Net appreciation (depreciation) of value	10,296	(20,692)
Appropriated for expenditure	(27,792)	(55,038)
Ending Balance	<u>\$ 195,953</u>	<u>\$ 208,390</u>

NOTE F – RETIREMENT PLAN

Effective January 1, 2003, the Organization instituted a deferred variable annuity plan under Section 403(b) of the Internal Revenue Code. Under provisions of the plan, employees may defer a portion of their salaries up to a maximum amount as allowed under the Internal Revenue Code. The Organization may make a discretionary matching contribution as determined by the Board of Directors. During 2010 and 2009, the Organization matched 100% of participant contributions up to 3% of the participant's gross wages. Matching contributions totaled \$37,716 and \$38,807 for 2010 and 2009, respectively.

EASTER SEALS SOUTHWEST FLORIDA, INC.
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NOTE G – RELATED PARTY TRANSACTIONS

The Easter Seals Southwest Florida Foundation, Inc. (Foundation) was organized in 1995 for the purpose of supporting the Organization. An independent Board of Trustees directs the Foundation.

During the fiscal year ended August 31, 2010 the Organization received support from the Foundation in the amount of \$1,281,097. This amount represented contributions of \$1,051,235 for operations, development and capital, as well as \$202,222 for wages and benefit costs and \$27,600 for supplies.

The offices of the Foundation are located in the building, which is owned and occupied by the Organization. The value of the office space is immaterial to these financial statements.

The Organization, a beneficiary of permanent transfers made to the Foundation, has reported an asset for its interest in the net assets of the Foundation in accordance with generally accepted accounting principles.

Basically, if the specified beneficiary is financially interrelated to the recipient organization, the beneficiary must recognize its interest in the net assets of the recipient organization. The Organization is financially interrelated to the Foundation and therefore, is required to report its beneficial interest in the net assets of the Foundation.

The interest in the net assets of the Foundation is considered a part of permanently restricted net assets. At August 31, 2010 and 2009, the Organization's interest in the net assets of the Foundation was \$8,245,770 and \$9,060,019, respectively.

The Organization's change in interest in the net assets of the Foundation has been recorded as a change to permanently restricted net assets in the Statement of Activities for the years ended August 31:

	<u>2010</u>	<u>2009</u>
Adjustment for change in interest In net assets of Foundation	<u>\$ (814,249)</u>	<u>\$ (2,155,295)</u>

The Foundation has approved a \$500,000 line-of-credit to the Organization to cover operating costs. The line does not contemplate interest and must be paid to a \$-0- balance at least once during each year. At August 31, 2010, \$57,590 was outstanding on the line-of-credit.

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 22, 2010, the date on which the financial statements were available to be issued.