EASTER SEALS
SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2008

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 statement of financial position of Easter Seals Southwest Florida, Inc. (a nonprofit organization) as of August 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. 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 audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated January 4, 2008; we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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, 2008, and the results of its operations, functional expenses and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Christopher, Smith, Leonard,
Bristow + Stanell, P.A.

CHRISTOPHER, SMITH, LEONARD,
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Bradenton, Florida
December 22, 2008

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

ASSETS

	2008	2007
Cash and cash equivalents	$ 11,002	$ 79,426
Cash restricted	58,255	126,424
Investments	306,823	330,600
Due from Foundation	105,000	–
Interest in net assets of Foundation	11,215,314	13,208,751
Accounts receivable, net	299,210	184,753
Bequest receivable	24,500	45,000
Prepaid expenses	25,399	24,494
Deposits	16,043	11,946
Remainder trusts receivable	783,182	886,735
Property, plant and equipment, net	2,005,227	1,947,061
TOTAL ASSETS	$ 14,849,955	$ 16,845,190

LIABILITIES AND NET ASSETS

	2008	2007
Liabilities		
Accounts payable	$ 47,792	$ 66,919
Other accrued expenses	133,415	108,896
Deferred revenue-pooled income fund	21,156	24,127
Total Liabilities	202,363	199,942
Net Assets		
Unrestricted	2,283,647	2,077,189
Temporarily restricted	870,955	1,064,309
Permanently restricted	11,492,990	13,503,750
Total Net Assets	14,647,592	16,645,248
TOTAL LIABILITIES AND NET ASSETS	$ 14,849,955	$ 16,845,190

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, 2008
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED AUGUST 31, 2007)

	YEAR ENDED AUGUST 31, 2008				YEAR ENDED AUGUST 31, 2007
	UNRESTRICTED	TEMPORARILY UNRESTRICTED	PERMANENTLY RESTRICTED	Total	SUMMARIZED INFORMATION
Public Support:					
Contributions	$ 317,316	$ -	$ -	$ 317,316	$ 312,830
Bequests and trusts	50,012		-	50,012	160,016
Special events	98,335	-	-	98,335	115,154
Less: Special events direct (expenses)	(38,107)	-	-	(38,107)	(34,038)
Total Public Support	427,556	-	-	427,556	553,962
Program Revenue	1,388,628	-	-	1,388,628	1,388,470
Other Revenue:					
Contributions from Foundation	1,579,663	-	-	1,579,663	1,420,370
Investment income (loss)	(9,995)	-	-	(9,995)	40,911
Change in value of split interest agreement	-	(100,582)	-	(100,582)	52,580
Gain (Loss) on disposal of assets	-	-	-	-	463,111
Other income	8,070	-	-	8,070	24,386
Total Other Revenue	1,577,738	(100,582)	-	1,477,156	2,001,358
Total Public Support and Revenue	3,393,922	(100,582)	-	3,293,340	3,943,790
Reclassifications:					
Net assets released from restrictions	110,095	(92,772)	(17,323)	-	-
Total Public Support, Revenue and Reclassification	3,504,017	(193,354)	(17,323)	3,293,340	3,943,790
Expenses:					
Program services	2,601,137	-	-	2,601,137	2,658,032
Fundraising	263,146	-	-	263,146	310,923
Management and General	433,276	-	-	433,276	362,157
	3,297,559	-	-	3,297,559	3,331,112
Transfers to Foundation	-	-	-	-	1,029,491
Total Expenses	3,297,559	-	-	3,297,559	4,360,603
Change in net assets before adjustment for interest in Foundation	206,458	(193,354)	(17,323)	(4,219)	(416,813)
Adjustment for change in interest in net assets of Foundation	-	-	(1,993,437)	(1,993,437)	655,995
Increase (decrease) in net assets	206,458	(193,354)	(2,010,760)	(1,997,656)	239,182
Net assets at beginning of year	2,077,189	1,064,309	13,503,750	16,645,248	16,406,066
Net assets at end of year	$ 2,283,647	$ 870,955	$ 11,492,990	$ 14,647,592	$ 16,645,248

The accompanying notes are an integral part of these financial statements

	SUPPORTING SERVICES			
TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2008 TOTALS
$ 1,214,472	$ 125,260	$ 192,378	$ 317,638	$ 1,532,110
180,789	16,881	29,904	46,785	227,574
96,941	10,081	20,800	30,881	127,822
1,492,202	152,222	243,082	395,304	1,887,506
230	867	-	867	1,097
29,399	-	38,208	38,208	67,607
8,398	-	-	-	8,398
16,597	1,782	29,947	31,729	48,326
2,764	-	1,295	1,295	4,059
23,880	48,823	-	48,823	72,703
22,058	-	2,605	2,605	24,663
635	-	226	226	861
3,668	1,447	1,398	2,845	6,513
2,357	501	4,542	5,043	7,400
190,045	31,490	43,892	75,382	265,427
520,910	8,245	33,879	42,124	563,034
3,812	-	-	-	3,812
12,556	3,524	1,528	5,052	17,608
33,493	-	-	-	33,493
4,809	220	298	518	5,327
22,830	-	387	387	23,217
31,849	7,720	6,769	14,489	46,338
930,290	104,619	164,974	269,593	1,199,883
2,422,492	256,841	408,056	664,897	3,087,389
178,645	6,305	25,220	31,525	210,170
$ 2,601,137	$ 263,146	$ 433,276	$ 696,422	$3,297,559

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,

	2008	2007
Cash flows from operating activities:		
Collections from Consumers	$ 1,169,117	$ 1,335,218
Operating expenses paid	(3,142,875)	(4,253,958)
Interest received	12,297	13,014
Other income(expense)paid(received)	2,069,427	1,969,761
Net cash provided by (used in) operating activities	107,966	(935,965)
Cash flow from investing activities		
(Purchases) of buildings and equipment	(268,336)	(55,699)
Proceeds from sale of assets	-	1,001,334
(Purchases) sales of investments, net	23,777	3,027
Net cash (used in) provided by investing activities	(244,559)	948,662
Net (Decrease) Increase in cash and cash equivalents	(136,593)	12,697
Cash and cash equivalents, Beginning of year	205,850	193,153
Cash and cash equivalents, End of year	$ 69,257	$ 205,850
Reconciliation of Net Assets to net cash from Operating Activities:		
(Decrease) Increase in Net Assets	$ (1,997,656)	$ 239,182
Adjustments to reconcile (decrease) increase in net assets to cash provided by (used in) operating activities:		
Depreciation	210,170	199,367
Bad Debts	30,466	29,399
Unrealized and Realized (gain) on investments		(27,897)
Change in Value of Split Interest Agreements	100,582	(52,580)
Change in Net Assets of Foundation	1,993,437	(655,995)
(Gain) on Disposal of Asset	-	(463,111)
Non-Cash bequest	-	(86,859)
(Increase) Decrease in assets:		
Due from Foundation	(105,000)	-
Accounts Receivable	(144,923)	(53,252)
Bequests and other receivables	20,500	57,902
Prepaid expenses	(905)	10,336
Other assets	(4,097)	752
Increase (Decrease) in liabilities:		
Accounts Payable	(19,127)	19,998
Other Accrued Expenses	24,519	(20,304)
Due to Foundation	-	(132,903)
Net cash provided by (used in) operating activities	$ 107,966	$ (935,965)

The accompanying notes are an integral part of these 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.

Financial Statement Presentation

The financial statement presentation follows the provisions of the Financial Accounting Standards Board in its Statement of Financial Accounting Standard (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, 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 $58,255 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 in accordance with SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. In accordance with SFAS No. 124, investments in debt and certain equity securities are reported at their fair values in the statement of financial position. 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 there of.

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, 2008 and 2007 in the amounts of $93,116 and $62,650, 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, 2008 and 2007 was $210,170 and $199,367, respectively. Repair and maintenance costs are expensed as incurred and the Organization is not currently planning any major maintenance activities.

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 considered a nonprofit corporation by the Internal Revenue Service and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes has been recorded. The Organization is not a private Foundation.

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 $100,000. From time to time throughout the year, amounts may exceed FDIC limits. No amounts were in excess of the FDIC limit at August 31, 2008.

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 $72,703 and $83,319 have been recognized as a revenue and an expense during the years ended August 31, 2008 and 2007, 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.

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.

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

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2007, from which the summarized information was derived.

NOTE B – INVESTMENTS

Investments were as follows:

AUGUST 31, 2008	COST	MARKET VALUE	UNREALIZED (DEPRECIATION)
Temporarily restricted funds	$ 31,333	$ 29,146	$ (2,187)
Permanently restricted funds	280,871	277,677	(3,194)
Total	$ 312,204	$ 306,823	$ (5,381)

AUGUST 31, 2007	COST	MARKET VALUE	UNREALIZED APPRECIATION
Unrestricted funds	$ 2,865	$ 2,865	$ -0-
Temporarily restricted funds	30,584	32,736	2,152
Permanently restricted funds	259,789	294,999	35,210
Total	$ 293,238	$ 330,600	$ 37,362

Investments consist of the following at August 31,:

	2008 FAIR MARKET VALUE	2007 FAIR MARKET VALUE
Money market funds	$ 68,251	$ 33,347
Mutual funds:		
Corporate bond funds	104,741	130,377
Stock funds	133,831	166,876
Total	$ 306,823	$ 330,600

NOTE B – INVESTMENTS – CONTINUED

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

	2008	2007
Interest and dividend income	$ 12,297	$ 13,014
Realized losses on investments	-0-	(150)
Unrealized (losses) gains on investments	(22,292)	28,047
Total	$ (9,995)	$ 40,911

NOTE C – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at August 31, 2008:

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Land	$ 438,671	$ -0-	$ 438,671
Land improvements	193,659	126,798	66,861
Buildings and improvements	2,745,064	1,428,897	1,316,167
Vehicles	329,498	257,355	72,143
Furniture, fixtures and Equipment	405,826	294,441	111,385
Total	$ 4,112,718	$ 2,107,491	$ 2,005,227

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

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

	2008	2007
Charitable Remainder Trusts	$ 783,182	$ 886,735
Bequest receivable	24,500	45,000
Grants Restricted by donors	58,255	124,019
Clark Memorial	-0-	2,406
Pooled Income fund	5,018	6,149
Total	$ 870,955	$ 1,064,309

Temporarily restricted net assets in the amount of $92,772 and $129,435 were released from restrictions during fiscal years 2008 and 2007, 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 $277,676 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 $17,323, which amounted to distributions in excess of earnings, were released from restrictions during fiscal year 2008. In addition, the Organization's interest in the net assets of the Easter Seals Southwest Florida Foundation, Inc., (Foundation) in the amount of $11,215,314 has been recorded as permanently restricted net assets at August 31, 2008.

NOTE F – RETIREMENT PLANS

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 is not responsible for providing matching contributions to its employees.

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 years ended August 31, 2008 and 2007, the Organization received support from the Foundation in the amount of $1,579,663 and $1,420,370 respectively. These amounts were in support of operations, marketing and capital improvements.

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 Statement of Financial Accounting Standard No. 136 "Transfers of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others."

The statement requires that, 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.

NOTE G – RELATED PARTY TRANSACTIONS – CONTINUED

The interest in the net assets of the Foundation is considered a part of permanently restricted net assets. At August 31, 2008 and 2007, the Organization's interest in the net assets of the Foundation was $11,215,314 and $13,208,751, 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:

	2008	2007
Adjustment for change in interest In net assets of Foundation	$ (1,993,437)	$ 655,995

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. No amounts were outstanding on the line-of-credit at August 31, 2008.

NOTE H – COMMITMENTS AND CONTINGENCIES

The Organization leases office space under a non-cancelable operating lease. The lease term began in 2006 and is for six years. The lease amount adjusts annually at 3% of the previous year's rental. Current year rent expense under the lease was $109,716. Future expected obligations under the lease are as follows:

Year Ending August 31,	Amount
2009	$ 113,007
2010	$ 116,397
2011	$ 119,889
2012	$ 123,486