

EASTER SEALS  
SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2012 and 2011

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
FINANCIAL STATEMENTS  
AUGUST 31, 2012 AND 2011

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## 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, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

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, 2012 and 2011, and the results of its operations, and cash flows for the years 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,  
BRISTOW & STANELL, P.A.

January 10, 2013  
Bradenton, Florida

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

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ASSETS

|                                      | <u>2012</u>                    | <u>2011</u>                     |
|--------------------------------------|--------------------------------|---------------------------------|
| Cash and cash equivalents            | \$ 25,003                      | \$ 58,708                       |
| Cash restricted                      | 85,224                         | 47,835                          |
| Investments                          | 208,286                        | 219,769                         |
| Interest in net assets of Foundation | 7,566,843                      | 7,959,096                       |
| Accounts receivable, net             | 108,497                        | 172,013                         |
| Prepaid expenses                     | 54,983                         | 48,354                          |
| Deposits                             | 17,055                         | 17,055                          |
| Remainder trusts receivable          | 215,757                        | 575,191                         |
| Property, plant and equipment, net   | <u>1,533,806</u>               | <u>1,759,797</u>                |
| <br>TOTAL ASSETS                     | <br><u><u>\$ 9,815,454</u></u> | <br><u><u>\$ 10,857,818</u></u> |

LIABILITIES AND NET ASSETS

|                                      |                                |                                 |
|--------------------------------------|--------------------------------|---------------------------------|
| Liabilities                          |                                |                                 |
| Accounts payable                     | \$ 53,485                      | \$ 46,377                       |
| Other accrued expenses               | 158,226                        | 184,365                         |
| Deferred revenue                     | 11,088                         | -                               |
| Deferred revenue-pooled income fund  | <u>19,554</u>                  | <u>19,578</u>                   |
| <br>Total Liabilities                | <br>242,353                    | <br>250,320                     |
| <br>Net Assets                       |                                |                                 |
| Unrestricted                         | 1,516,168                      | 1,824,327                       |
| Temporarily restricted               | 310,635                        | 632,654                         |
| Permanently restricted               | <u>7,746,298</u>               | <u>8,150,517</u>                |
| <br>Total Net Assets                 | <br><u>9,573,101</u>           | <br><u>10,607,498</u>           |
| <br>TOTAL LIABILITIES AND NET ASSETS | <br><u><u>\$ 9,815,454</u></u> | <br><u><u>\$ 10,857,818</u></u> |

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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, 2012

|                                                                                  | UNRESTRICTED        | TEMPORARILY<br>UNRESTRICTED | PERMANENTLY<br>RESTRICTED | Total               |
|----------------------------------------------------------------------------------|---------------------|-----------------------------|---------------------------|---------------------|
| <b>Public Support:</b>                                                           |                     |                             |                           |                     |
| Contributions                                                                    | \$ 327,595          | \$ 53,577                   | \$ -                      | \$ 381,172          |
| Bequests and trusts                                                              | 86,552              | -                           | -                         | 86,552              |
| Special events                                                                   | 74,789              | -                           | -                         | 74,789              |
| Less: Special events<br>direct (expenses)                                        | (18,781)            | -                           | -                         | (18,781)            |
| <b>Total Public Support</b>                                                      | <b>470,155</b>      | <b>53,577</b>               | <b>-</b>                  | <b>523,732</b>      |
| <b>Program Revenue</b>                                                           | <b>1,541,839</b>    | <b>-</b>                    | <b>-</b>                  | <b>1,541,839</b>    |
| <b>Other Revenue:</b>                                                            |                     |                             |                           |                     |
| Contributions from Foundation                                                    | 644,796             | -                           | -                         | 644,796             |
| Investment income (loss)                                                         | 13,423              | -                           | -                         | 13,423              |
| Change in value of split interest<br>agreement                                   | -                   | 5,885                       | -                         | 5,885               |
| Other income                                                                     | 118,592             | -                           | -                         | 118,592             |
| <b>Total Other Revenue</b>                                                       | <b>776,811</b>      | <b>5,885</b>                | <b>-</b>                  | <b>782,696</b>      |
| <b>Total Public Support and<br/>Revenue</b>                                      | <b>2,788,805</b>    | <b>59,462</b>               | <b>-</b>                  | <b>2,848,267</b>    |
| <b>Reclassifications:</b>                                                        |                     |                             |                           |                     |
| Net assets released from<br>restrictions                                         | 393,447             | (381,481)                   | (11,966)                  | -                   |
| <b>Total Public Support,<br/>Revenue and<br/>Reclassification</b>                | <b>3,182,252</b>    | <b>(322,019)</b>            | <b>(11,966)</b>           | <b>2,848,267</b>    |
| <b>Expenses:</b>                                                                 |                     |                             |                           |                     |
| Program services                                                                 | 2,864,166           | -                           | -                         | 2,864,166           |
| Fundraising                                                                      | 273,222             | -                           | -                         | 273,222             |
| Management and General                                                           | 144,313             | -                           | -                         | 144,313             |
|                                                                                  | <b>3,281,701</b>    | <b>-</b>                    | <b>-</b>                  | <b>3,281,701</b>    |
| Payments to Easter Seals National                                                | 32,083              | -                           | -                         | 32,083              |
| Loss on abandonment of lease                                                     | 176,627             | -                           | -                         | 176,627             |
| <b>Total Expenses</b>                                                            | <b>3,490,411</b>    | <b>-</b>                    | <b>-</b>                  | <b>3,490,411</b>    |
| <b>Change in net assets before<br/>adjustment for interest<br/>in Foundation</b> | <b>(308,159)</b>    | <b>(322,019)</b>            | <b>(11,966)</b>           | <b>(642,144)</b>    |
| Adjustment for change in<br>interest in net assets<br>of Foundation              | -                   | -                           | (392,253)                 | (392,253)           |
| <b>Increase (decrease) in net assets</b>                                         | <b>(308,159)</b>    | <b>(322,019)</b>            | <b>(404,219)</b>          | <b>(1,034,397)</b>  |
| <b>Net assets at beginning of year</b>                                           | <b>1,824,327</b>    | <b>632,654</b>              | <b>8,150,517</b>          | <b>10,607,498</b>   |
| <b>Net assets at end of year</b>                                                 | <b>\$ 1,516,168</b> | <b>\$ 310,635</b>           | <b>\$ 7,746,298</b>       | <b>\$ 9,573,101</b> |

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, 2011

|                                                                                  | UNRESTRICTED        | TEMPORARILY<br>UNRESTRICTED | PERMANENTLY<br>RESTRICTED | Total                |
|----------------------------------------------------------------------------------|---------------------|-----------------------------|---------------------------|----------------------|
| <b>Public Support:</b>                                                           |                     |                             |                           |                      |
| Contributions                                                                    | \$ 215,515          | \$ 24,430                   | \$ -                      | \$ 239,945           |
| Bequests and trusts                                                              | 116,398             | -                           | -                         | 116,398              |
| Special events                                                                   | 68,282              | -                           | -                         | 68,282               |
| Less: Special events<br>direct (expenses)                                        | (38,785)            | -                           | -                         | (38,785)             |
| <b>Total Public Support</b>                                                      | <b>361,410</b>      | <b>24,430</b>               | <b>-</b>                  | <b>385,840</b>       |
| <b>Program Revenue</b>                                                           | <b>1,437,983</b>    | <b>-</b>                    | <b>-</b>                  | <b>1,437,983</b>     |
| <b>Other Revenue:</b>                                                            |                     |                             |                           |                      |
| Contributions from Foundation                                                    | 1,052,459           | -                           | -                         | 1,052,459            |
| Investment income (loss)                                                         | 23,535              | -                           | -                         | 23,535               |
| Change in value of split interest<br>agreement                                   | -                   | 96,361                      | -                         | 96,361               |
| Other income                                                                     | 8,233               | -                           | -                         | 8,233                |
| <b>Total Other Revenue</b>                                                       | <b>1,084,227</b>    | <b>96,361</b>               | <b>-</b>                  | <b>1,180,588</b>     |
| <b>Total Public Support and<br/>Revenue</b>                                      | <b>2,883,620</b>    | <b>120,791</b>              | <b>-</b>                  | <b>3,004,411</b>     |
| <b>Reclassifications:</b>                                                        |                     |                             |                           |                      |
| Net assets released from<br>restrictions                                         | 244,206             | (239,674)                   | (4,532)                   | -                    |
| <b>Total Public Support,<br/>Revenue and<br/>Reclassification</b>                | <b>3,127,826</b>    | <b>(118,883)</b>            | <b>(4,532)</b>            | <b>3,004,411</b>     |
| <b>Expenses:</b>                                                                 |                     |                             |                           |                      |
| Program services                                                                 | 2,735,628           | -                           | -                         | 2,735,628            |
| Fundraising                                                                      | 268,151             | -                           | -                         | 268,151              |
| Management and General                                                           | 117,201             | -                           | -                         | 117,201              |
|                                                                                  | <b>3,120,980</b>    | <b>-</b>                    | <b>-</b>                  | <b>3,120,980</b>     |
| Payments to Easter Seals National                                                | 35,000              | -                           | -                         | 35,000               |
| <b>Total Expenses</b>                                                            | <b>3,155,980</b>    | <b>-</b>                    | <b>-</b>                  | <b>3,155,980</b>     |
| <b>Change in net assets before<br/>adjustment for interest<br/>in Foundation</b> | <b>(28,154)</b>     | <b>(118,883)</b>            | <b>(4,532)</b>            | <b>(151,569)</b>     |
| Adjustment for change in<br>interest in net assets<br>of Foundation              | -                   | -                           | (286,674)                 | (286,674)            |
| <b>Increase (decrease) in net assets</b>                                         | <b>(28,154)</b>     | <b>(118,883)</b>            | <b>(291,206)</b>          | <b>(438,243)</b>     |
| <b>Net assets at beginning of year</b>                                           | <b>1,852,481</b>    | <b>751,537</b>              | <b>8,441,723</b>          | <b>11,045,741</b>    |
| <b>Net assets at end of year</b>                                                 | <b>\$ 1,824,327</b> | <b>\$ 632,654</b>           | <b>\$ 8,150,517</b>       | <b>\$ 10,607,498</b> |

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2012

|                                    | PROGRAM SERVICES                             |                                                     |                       |                              |
|------------------------------------|----------------------------------------------|-----------------------------------------------------|-----------------------|------------------------------|
|                                    | DAY PROGRAM<br>AND<br>EMPLOYMENT<br>SERVICES | REHABILITATION<br>CHILDREN'S<br>THERAPY<br>SERVICES | COMMUNITY<br>SERVICES | TOTAL<br>PROGRAM<br>SERVICES |
| Salaries                           | \$ 847,226                                   | \$ 409,500                                          | \$ 151,843            | \$ 1,408,569                 |
| Benefits                           | 245,299                                      | 109,279                                             | 23,233                | 377,811                      |
| Payroll taxes                      | 82,594                                       | 37,759                                              | 16,173                | 136,526                      |
| Total personnel expenses           | 1,175,119                                    | 556,538                                             | 191,249               | 1,922,906                    |
| Advertising                        | 120                                          | 60                                                  | 20                    | 200                          |
| Bad Debts                          | 40,222                                       | 19,153                                              | 5,746                 | 65,121                       |
| Contract labor                     | -                                            | -                                                   | -                     | -                            |
| Dues and subscriptions             | 2,539                                        | 2,400                                               | 595                   | 5,534                        |
| Equipment expense                  | 147                                          | 340                                                 | 756                   | 1,243                        |
| Inkind expense                     | 1,850                                        | -                                                   | 24,000                | 25,850                       |
| Insurance                          | 16,477                                       | 706                                                 | 212                   | 17,395                       |
| License, fees and taxes            | 3,604                                        | 1,274                                               | 745                   | 5,623                        |
| Office expense                     | -                                            | 357                                                 | -                     | 357                          |
| Other expenses                     | 15,903                                       | 2,747                                               | 2,127                 | 20,777                       |
| Professional fees                  | 45,154                                       | 18,284                                              | 3,765                 | 67,203                       |
| Properties                         | 315,578                                      | 70,443                                              | 14,978                | 400,999                      |
| Rent                               | -                                            | -                                                   | -                     | -                            |
| Repairs and maintenance            | 19,606                                       | 70                                                  | 1,589                 | 21,265                       |
| Supplies                           | 38,751                                       | 5,697                                               | 20,998                | 65,446                       |
| Telephone                          | 5,054                                        | 2,543                                               | 991                   | 8,588                        |
| Transportation                     | 29,661                                       | 1,301                                               | -                     | 30,962                       |
| Travel and Training                | 9,241                                        | 23,299                                              | 4,144                 | 36,684                       |
| Total non-personnel expenses       | 543,907                                      | 148,674                                             | 80,666                | 773,247                      |
| Total expenses before depreciation | 1,719,026                                    | 705,212                                             | 271,915               | 2,696,153                    |
| Depreciation expense               | 126,504                                      | 35,579                                              | 5,930                 | 168,013                      |
| TOTAL EXPENSES                     | <u>\$ 1,845,530</u>                          | <u>\$ 740,791</u>                                   | <u>\$ 277,845</u>     | <u>\$ 2,864,166</u>          |

SUPPORTING SERVICES

| <u>FUND<br/>RAISING</u> | <u>MANAGEMENT<br/>AND<br/>GENERAL</u> | <u>TOTAL<br/>SUPPORT<br/>SERVICES</u> | <u>2012<br/>TOTALS</u> |
|-------------------------|---------------------------------------|---------------------------------------|------------------------|
| \$ 122,062              | \$ 38,181                             | \$ 160,243                            | \$ 1,568,812           |
| 42,933                  | 12,347                                | 55,280                                | 433,091                |
| 14,056                  | 6,245                                 | 20,301                                | 156,827                |
| 179,051                 | 56,773                                | 235,824                               | 2,158,730              |
| 4,897                   | -                                     | 4,897                                 | 5,097                  |
| -                       | 30,645                                | 30,645                                | 95,766                 |
| -                       | -                                     | -                                     | -                      |
| 18,460                  | 1,863                                 | 20,323                                | 25,857                 |
| -                       | 112                                   | 112                                   | 1,355                  |
| 33,982                  | -                                     | 33,982                                | 59,832                 |
| -                       | 1,130                                 | 1,130                                 | 18,525                 |
| 25                      | 2,039                                 | 2,064                                 | 7,687                  |
| 43                      | -                                     | 43                                    | 400                    |
| 8,781                   | 2,745                                 | 11,526                                | 32,303                 |
| 450                     | 14,211                                | 14,661                                | 81,864                 |
| 16,651                  | 6,063                                 | 22,714                                | 423,713                |
| -                       | -                                     | -                                     | -                      |
| 64                      | 112                                   | 176                                   | 21,441                 |
| -                       | -                                     | -                                     | 65,446                 |
| 150                     | 439                                   | 589                                   | 9,177                  |
| -                       | -                                     | -                                     | 30,962                 |
| 4,738                   | 4,461                                 | 9,199                                 | 45,883                 |
| 88,241                  | 63,820                                | 152,061                               | 925,308                |
| 267,292                 | 120,593                               | 387,885                               | 3,084,038              |
| 5,930                   | 23,720                                | 29,650                                | 197,663                |
| <u>\$ 273,222</u>       | <u>\$ 144,313</u>                     | <u>\$ 417,535</u>                     | <u>\$ 3,281,701</u>    |

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

EASTER SEALS SOUTHWEST FLORIDA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2011

|                                    | PROGRAM SERVICES                             |                                                     |                       |                              |
|------------------------------------|----------------------------------------------|-----------------------------------------------------|-----------------------|------------------------------|
|                                    | DAY PROGRAM<br>AND<br>EMPLOYMENT<br>SERVICES | REHABILITATION<br>CHILDREN'S<br>THERAPY<br>SERVICES | COMMUNITY<br>SERVICES | TOTAL<br>PROGRAM<br>SERVICES |
| Salaries                           | \$ 812,844                                   | \$ 371,758                                          | \$ 127,530            | \$ 1,312,132                 |
| Benefits                           | 232,340                                      | 100,379                                             | 17,728                | 350,447                      |
| Payroll taxes                      | 75,981                                       | 33,860                                              | 13,589                | 123,430                      |
| Total personnel expenses           | 1,121,165                                    | 505,997                                             | 158,847               | 1,786,009                    |
| Advertising                        | 494                                          | 235                                                 | 71                    | 800                          |
| Bad Debts                          | 28,070                                       | 13,367                                              | 4,010                 | 45,447                       |
| Contract labor                     | 6,152                                        | -                                                   | -                     | 6,152                        |
| Dues and subscriptions             | 3,257                                        | 2,766                                               | 701                   | 6,724                        |
| Equipment expense                  | 280                                          | 510                                                 | 277                   | 1,067                        |
| Inkind expense                     | 1,385                                        | -                                                   | 26,100                | 27,485                       |
| Insurance                          | 18,212                                       | 652                                                 | 195                   | 19,059                       |
| License, fees and taxes            | 2,381                                        | 913                                                 | 274                   | 3,568                        |
| Office expense                     | 82                                           | 473                                                 | -                     | 555                          |
| Other expenses                     | 4,631                                        | 1,701                                               | 5,688                 | 12,020                       |
| Professional fees                  | 46,309                                       | 40,972                                              | 1,849                 | 89,130                       |
| Properties                         | 328,464                                      | 97,877                                              | 15,520                | 441,861                      |
| Rent                               | -                                            | 3,568                                               | -                     | 3,568                        |
| Repairs and maintenance            | 14,972                                       | 487                                                 | 146                   | 15,605                       |
| Supplies                           | 30,849                                       | 5,426                                               | 325                   | 36,600                       |
| Telephone                          | 4,804                                        | 590                                                 | 408                   | 5,802                        |
| Transportation                     | 36,332                                       | 1,290                                               | -                     | 37,622                       |
| Travel and Training                | 6,755                                        | 19,777                                              | 5,774                 | 32,306                       |
| Total non-personnel expenses       | 533,429                                      | 190,604                                             | 61,338                | 785,371                      |
| Total expenses before depreciation | 1,654,594                                    | 696,601                                             | 220,185               | 2,571,380                    |
| Depreciation expense               | 123,669                                      | 34,782                                              | 5,797                 | 164,248                      |
| TOTAL EXPENSES                     | <u>\$ 1,778,263</u>                          | <u>\$ 731,383</u>                                   | <u>\$ 225,982</u>     | <u>\$ 2,735,628</u>          |

SUPPORTING SERVICES

| <u>FUND<br/>RAISING</u> | <u>MANAGEMENT<br/>AND<br/>GENERAL</u> | <u>TOTAL<br/>SUPPORT<br/>SERVICES</u> | <u>2011<br/>TOTALS</u> |
|-------------------------|---------------------------------------|---------------------------------------|------------------------|
| \$ 130,895              | \$ 32,810                             | \$ 163,705                            | \$ 1,475,837           |
| 46,022                  | 12,401                                | 58,423                                | 408,870                |
| 12,755                  | 6,290                                 | 19,045                                | 142,475                |
| 189,672                 | 51,501                                | 241,173                               | 2,027,182              |
| 6,347                   | 376                                   | 6,723                                 | 7,523                  |
| -                       | 21,387                                | 21,387                                | 66,834                 |
| -                       | -                                     | -                                     | 6,152                  |
| 16,468                  | 2,236                                 | 18,704                                | 25,428                 |
| 349                     | -                                     | 349                                   | 1,416                  |
| 18,644                  | -                                     | 18,644                                | 46,129                 |
| -                       | 1,043                                 | 1,043                                 | 20,102                 |
| -                       | 1,460                                 | 1,460                                 | 5,028                  |
| 206                     | -                                     | 206                                   | 761                    |
| 8,740                   | (127)                                 | 8,613                                 | 20,633                 |
| 7                       | 9,863                                 | 9,870                                 | 99,000                 |
| 17,136                  | 2,083                                 | 19,219                                | 461,080                |
| -                       | -                                     | -                                     | 3,568                  |
| -                       | 778                                   | 778                                   | 16,383                 |
| -                       | -                                     | -                                     | 36,600                 |
| 199                     | 308                                   | 507                                   | 6,309                  |
| -                       | -                                     | -                                     | 37,622                 |
| 4,586                   | 3,105                                 | 7,691                                 | 39,997                 |
| 72,682                  | 42,512                                | 115,194                               | 900,565                |
| 262,354                 | 94,013                                | 356,367                               | 2,927,747              |
| 5,797                   | 23,188                                | 28,985                                | 193,233                |
| <u>\$ 268,151</u>       | <u>\$ 117,201</u>                     | <u>\$ 385,352</u>                     | <u>\$ 3,120,980</u>    |

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

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

|                                                                                                                | 2012                | 2011               |
|----------------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>Cash flows from operating activities:</b>                                                                   |                     |                    |
| Collections from consumers                                                                                     | \$ 1,571,889        | \$ 1,363,807       |
| Operating expenses paid                                                                                        | (3,046,039)         | (2,892,617)        |
| Interest received                                                                                              | 13,423              | 4,895              |
| Other income received                                                                                          | 1,235,908           | 1,465,172          |
| Net cash provided by (used in) operating activities                                                            | <u>(224,819)</u>    | <u>(58,743)</u>    |
| <b>Cash flow from investing activities</b>                                                                     |                     |                    |
| (Purchases) of buildings and equipment                                                                         | (148,299)           | (181,860)          |
| Receipt of remainder trust                                                                                     | 365,319             | 239,673            |
| (Purchases) sales of investments, net                                                                          | 11,483              | 2,825              |
| Net cash (used in) provided by investing activities                                                            | <u>228,503</u>      | <u>60,638</u>      |
| Net (Decrease) Increase in cash and cash equivalents                                                           | 3,684               | 1,895              |
| Cash and cash equivalents, Beginning of year                                                                   | <u>106,543</u>      | <u>104,648</u>     |
| Cash and cash equivalents, End of year                                                                         | <u>\$ 110,227</u>   | <u>\$ 106,543</u>  |
| <b>Reconciliation of Net Assets to net cash from Operating Activities:</b>                                     |                     |                    |
| (Decrease) Increase in Net Assets                                                                              | \$ (1,034,397)      | \$ (438,243)       |
| Adjustments to reconcile (decrease) increase in net assets to cash provided by (used in) operating activities: |                     |                    |
| Depreciation                                                                                                   | 197,663             | 193,233            |
| Bad debts                                                                                                      | 95,766              | 66,834             |
| Change in Value of Split Interest Agreements                                                                   | (5,885)             | (96,361)           |
| Change in Net Assets of Foundation                                                                             | 392,253             | 286,674            |
| Loss on abandonment of lease                                                                                   | 176,627             | -                  |
| (Increase) Decrease in assets:                                                                                 |                     |                    |
| Accounts receivable                                                                                            | (32,250)            | (74,176)           |
| Prepaid expenses                                                                                               | (6,629)             | (4,258)            |
| Increase (Decrease) in liabilities:                                                                            |                     |                    |
| Accounts payable                                                                                               | 7,108               | 26,315             |
| Other accrued expenses                                                                                         | (26,139)            | 38,829             |
| Due to Foundation                                                                                              | -                   | (57,590)           |
| Deferred revenue                                                                                               | 11,088              | -                  |
| Deferred revenue – pooled income                                                                               | (24)                | -                  |
| Net cash provided by (used in) operating activities                                                            | <u>\$ (224,819)</u> | <u>\$ (58,743)</u> |

The accompanying notes are an integral part of these financial statements

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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**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. The Organization is primarily supported through program revenue and contributions.

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 \$85,224 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.

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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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. Contracts receivable consists of billings based on contracts with various agencies and organizations to provide rehabilitative, development and child care services. 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. An allowance for doubtful accounts has been established for accounts receivable at August 31, 2012 and 2011 in the amount of \$40,000 and \$59,066.

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, 2012 and 2011 was \$197,663 and \$193,233, respectively. Repair and maintenance costs are expensed as incurred and the Organization is not currently planning any major maintenance activities.

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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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 2009 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, 2012.

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 \$59,832 and \$54,485 have been recognized as a revenue and an expense during the years ended August 31, 2012 and 2011, 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.

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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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 has implemented the requirements of the ASC 820, which establishes a hierarchy framework for measuring fair value of financial instruments, and prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement.)

The three levels of the fair value hierarchy used to measure fair value are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include:

- 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;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS

Investments were as follows:

| <u>AUGUST 31, 2012</u>       | <u>COST</u>       | <u>MARKET<br/>VALUE</u> | <u>UNREALIZED<br/>APPRECIATION<br/>(DEPRECIATION)</u> |
|------------------------------|-------------------|-------------------------|-------------------------------------------------------|
| Temporarily restricted funds | \$ 28,549         | \$ 28,831               | \$ 282                                                |
| Permanently restricted funds | 171,558           | 179,455                 | 7,897                                                 |
| Total                        | <u>\$ 200,107</u> | <u>\$ 208,286</u>       | <u>\$ 8,179</u>                                       |

| <u>AUGUST 31, 2011</u>       | <u>COST</u>       | <u>MARKET<br/>VALUE</u> | <u>UNREALIZED<br/>APPRECIATION<br/>(DEPRECIATION)</u> |
|------------------------------|-------------------|-------------------------|-------------------------------------------------------|
| Temporarily restricted funds | \$ 28,350         | \$ 28,348               | \$ (2)                                                |
| Permanently restricted funds | 189,438           | 191,421                 | 1,983                                                 |
| Total                        | <u>\$ 217,788</u> | <u>\$ 219,769</u>       | <u>\$ 1,981</u>                                       |

Investments consist of the following at August 31,:

|                      | <u>2012<br/>FAIR MARKET<br/>VALUE</u> | <u>2011<br/>FAIR MARKET<br/>VALUE</u> |
|----------------------|---------------------------------------|---------------------------------------|
| Money market funds   | \$ 7,350                              | \$ 3,786                              |
| Mutual funds:        |                                       |                                       |
| Corporate bond funds | 115,946                               | 120,667                               |
| Stock funds          | 68,123                                | 71,307                                |
| Commodities          | 10,674                                | 17,765                                |
| Real estate          | 6,193                                 | 6,244                                 |
| Total                | <u>\$ 208,286</u>                     | <u>\$ 219,769</u>                     |

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

|                                          | <u>2012</u>      | <u>2011</u>      |
|------------------------------------------|------------------|------------------|
| Interest and dividend income             | \$ 5,165         | \$ 4,895         |
| Unrealized gains (losses) on investments | 8,258            | 18,640           |
| Total                                    | <u>\$ 13,423</u> | <u>\$ 23,535</u> |

EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE B – INVESTMENTS – CONTINUED

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).

| Assets at Fair Value as of August 31, 2012 |                     |                     |                     |                     |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                            | Level 1             | Level 2             | Level 3             | Totals              |
| Short-term Money Market                    | \$ -0-              | \$ 7,350            | \$ -0-              | \$ 7,350            |
| Equities                                   |                     |                     |                     |                     |
| Large Cap                                  | -0-                 | 42,605              | -0-                 | 42,605              |
| Mid Cap                                    | 5,067               | -0-                 | -0-                 | 5,067               |
| Small Cap                                  | 687                 | -0-                 | -0-                 | 687                 |
| International                              | -0-                 | 19,764              | -0-                 | 19,764              |
| Commodities                                | 10,674              | -0-                 | -0-                 | 10,674              |
| Real Estate Funds                          | -0-                 | 6,193               | -0-                 | 6,193               |
| Fixed Income                               |                     |                     |                     |                     |
| Corporate/Government                       | -0-                 | 115,946             | -0-                 | 115,946             |
| Interest in net assets of Foundation       | 2,090,979           | 1,375,824           | 4,100,040           | 7,566,843           |
| Interest in Remainder Trusts               | -0-                 | -0-                 | 215,757             | 215,757             |
| Totals                                     | <u>\$ 2,107,407</u> | <u>\$ 1,567,682</u> | <u>\$ 4,315,797</u> | <u>\$ 7,990,886</u> |

| Assets at Fair Value as of August 31, 2011 |                     |                     |                     |                     |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                            | Level 1             | Level 2             | Level 3             | Totals              |
| Short-term Money Market                    | \$ -0-              | \$ 3,786            | \$ -0-              | \$ 3,786            |
| Equities                                   |                     |                     |                     |                     |
| Large Cap                                  | -0-                 | 39,207              | -0-                 | 39,207              |
| Mid Cap                                    | 5,021               | -0-                 | -0-                 | 5,021               |
| Small Cap                                  | 623                 | -0-                 | -0-                 | 623                 |
| International                              | -0-                 | 26,456              | -0-                 | 26,456              |
| Commodities                                | 17,765              | -0-                 | -0-                 | 17,765              |
| Real Estate Funds                          | 6,244               | -0-                 | -0-                 | 6,244               |
| Fixed Income                               |                     |                     |                     |                     |
| Corporate/Government                       | -0-                 | 120,667             | -0-                 | 120,667             |
| Interest in net assets of Foundation       | 2,760,984           | 899,367             | 4,298,745           | 7,959,096           |
| Interest in Remainder Trusts               | -0-                 | -0-                 | 575,191             | 575,191             |
| Totals                                     | <u>\$ 2,790,637</u> | <u>\$ 1,089,483</u> | <u>\$ 4,873,936</u> | <u>\$ 8,754,056</u> |

The following methods and assumptions were used to estimate the fair values of the Organization's financial instruments at August 31, 2012 and 2011:

Short-term money market funds:

The Money market funds are valued at amortized cost, which approximates fair market value. Money market funds seek to preserve net asset value (NAV) of \$1.00 per share. Under the amortized cost method, the portfolio instrument is initially valued at cost, and thereafter assumes the constant accretion/amortization to maturity date, or next reset date of any discount or premium.

Equities:

Equities are valued at the closing price reported in the active market on which the individual securities are traded.

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE B – INVESTMENTS – CONTINUED**

**Fixed Income:**

Fixed income funds are valued at the closing price reported in the active market in which the bonds are traded. Other fixed income/bond funds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

**Mutual funds:**

Mutual funds are valued at net asset value (NAV) of shares held at year end. The mutual funds may also be valued as determined by an independent pricing service, based on methods which include consideration of: yields or prices of securities of comparable quality, coupon, maturity and type; indications as to values from dealers; and general market conditions.

**Interest in net assets of the Foundation:**

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 holds short-term money market funds, equity securities, and equity and fixed income traded funds. 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.

**Interest in the remainder trusts:**

The interest in the remainder trusts are measured at the fair value of 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 Organization calculates its interest by considering the age of the remainder-man and using a discount rate for expected future distributions multiplied by fair value of the assets.

The following tables set forth a summary of the changes in fair value of the assets classified as Level 3 on a recurring basis:

| <u>Interest in Net Assets of Foundation</u>             | <u>8/31/12</u>      | <u>8/31/11</u>      |
|---------------------------------------------------------|---------------------|---------------------|
| Beginning Balance                                       | \$ 7,959,096        | \$ 8,245,770        |
| Change in value of interest in net assets of Foundation | (392,253)           | (286,674)           |
| Ending Balance                                          | <u>\$ 7,566,843</u> | <u>\$ 7,959,096</u> |
| <br><u>Interest in Remainder Trusts</u>                 | <br><u>8/31/12</u>  | <br><u>8/31/11</u>  |
| Beginning Balance                                       | \$ 575,191          | \$ 717,645          |
| Distributions received                                  | (365,286)           | (239,674)           |
| Change in value of interest in remainder Trusts         | 5,852               | 97,220              |
| Ending Balance                                          | <u>\$ 215,757</u>   | <u>\$ 575,191</u>   |

EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

**NOTE B – INVESTMENTS – CONTINUED**

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

**NOTE C – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following at August 31, 2012 and 2011:

|                                      | <u>2012</u>         |                                     |                               |
|--------------------------------------|---------------------|-------------------------------------|-------------------------------|
|                                      | <u>COST</u>         | <u>ACCUMULATED<br/>DEPRECIATION</u> | <u>NET<br/>BOOK<br/>VALUE</u> |
| Land                                 | \$ 438,671          | \$ –0–                              | \$ 438,671                    |
| Land improvements                    | 248,794             | 162,042                             | 86,752                        |
| Buildings and improvements           | 2,677,689           | 1,797,658                           | 880,031                       |
| Vehicles                             | 436,789             | 334,077                             | 102,712                       |
| Furniture, fixtures and<br>Equipment | <u>322,236</u>      | <u>296,596</u>                      | <u>25,640</u>                 |
| Total                                | <u>\$ 4,124,179</u> | <u>\$ 2,590,373</u>                 | <u>\$ 1,533,806</u>           |
|                                      | <u>2011</u>         |                                     |                               |
|                                      | <u>COST</u>         | <u>ACCUMULATED<br/>DEPRECIATION</u> | <u>NET<br/>BOOK<br/>VALUE</u> |
| Land                                 | \$ 438,671          | \$ –0–                              | \$ 438,671                    |
| Land improvements                    | 248,794             | 151,081                             | 97,713                        |
| Buildings and improvements           | 2,965,652           | 1,797,275                           | 1,168,377                     |
| Vehicles                             | 329,498             | 314,652                             | 14,846                        |
| Furniture, fixtures and<br>Equipment | <u>310,793</u>      | <u>270,603</u>                      | <u>40,190</u>                 |
| Total                                | <u>\$ 4,293,408</u> | <u>\$ 2,533,611</u>                 | <u>\$ 1,759,797</u>           |

**NOTE D – TEMPORARILY RESTRICTED NET ASSETS**

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

|                             | <u>2012</u>       | <u>2011</u>       |
|-----------------------------|-------------------|-------------------|
| Charitable Remainder Trusts | \$ 215,757        | \$ 575,191        |
| Grants Restricted by donors | 85,224            | 47,835            |
| Pooled Income fund          | <u>9,654</u>      | <u>9,628</u>      |
| Total                       | <u>\$ 310,635</u> | <u>\$ 632,654</u> |

Temporarily restricted net assets in the amount of \$381,481 and \$239,674 were released from restrictions during fiscal years 2012 and 2011, respectively, for the purpose of providing assistance to individuals with disabilities.

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE E – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of an endowment fund held by Northern Trust, in the amount of \$179,455 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 \$11,966, which amounted to distributions in excess of earnings, were released from restrictions during fiscal year 2012. In addition, the Organization's interest in the net assets of Easter Seals Southwest Florida Foundation, Inc., (Foundation) in the amount of \$7,566,843 has been recorded as permanently restricted net assets at August 31, 2012.

**NOTE F – ENDOWMENT**

The Organization has one donor restricted endowment fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. 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. Investment income is appropriated for distribution pursuant to the document and as such, is included as part of the change in unrestricted net assets, unless required to be retained as part of the permanently restricted net assets.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Distributions of principal in excess of earnings are allowed pursuant to the document. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, net of any distributions in excess of earnings. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated donor restricted endowment funds:

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

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**EASTER SEALS SOUTHWEST FLORIDA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE F – ENDOWMENT – CONTINUED**

Investment Policies

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.

The following risk parameters are in place:

|                           | <u>Percent of Total Fund</u> |               |                |
|---------------------------|------------------------------|---------------|----------------|
|                           | <u>Minimum</u>               | <u>Target</u> | <u>Maximum</u> |
| 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.

Strategies, Objectives and Spending Policies

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 Board appropriates spending through the budget process. The investment policy contemplates a distribution of approximately 10% of the average asset market values for the most recent three fiscal years.

For the years ended August 31, 2012 and 2011, the Organization had the following endowment-related activities:

|                                          | <u>2012</u>       | <u>2011</u>       |
|------------------------------------------|-------------------|-------------------|
| Beginning Balance                        | \$ 191,421        | \$ 195,953        |
| Investment return                        |                   |                   |
| Investment income                        | 4,445             | 4,226             |
| Net appreciation (depreciation) of value | 7,810             | 16,913            |
| Appropriated for expenditure             | (24,221)          | (25,671)          |
| Ending Balance                           | <u>\$ 179,455</u> | <u>\$ 191,421</u> |

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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**NOTE G – 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 2012 and 2011, the Organization matched 100% of participant contributions up to 3% of the participant's gross wages. Matching contributions totaled \$32,913 and \$34,967 for 2012 and 2011, respectively.

**NOTE H – 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, 2012 the Organization received support from the Foundation in the amount of \$806,196. This amount represented contributions of \$644,796 for operations, development and capital, as well as \$122,960 for wages, \$32,390 for benefits, and \$2,521 for supplies, and \$3,529 for board expense.

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, 2012 and 2011, the Organization's interest in the net assets of the Foundation was \$7,566,843 and \$7,959,096, 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>2012</u>         | <u>2011</u>         |
|------------------------------------------------------------------|---------------------|---------------------|
| Adjustment for change in interest<br>In net assets of Foundation | \$ <u>(392,253)</u> | \$ <u>(286,674)</u> |

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EASTER SEALS SOUTHWEST FLORIDA, INC.  
NOTES TO FINANCIAL STATEMENTS

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NOTE H – RELATED PARTY TRANSACTIONS – CONTINUED

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, 2012 and 2011, there was no outstanding balance on the line-of-credit.

NOTE I – RENT

The Organization has signed an agreement to rent a portion of its facility to the Manatee County School Board under an operating lease agreement. The lease is renewed each year.

Current year rental income under this agreement was \$101,320.

NOTE J – CONTINGENCIES

The Organization is currently involved in litigation with various parties. The outcome of these matters and potential losses to the Organization cannot be determined. As a result, no liability has been recorded in these financial statements. It is at least reasonably possible that additional liabilities could result in the near term.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2013, the date on which the financial statements were available to be issued.