

EASTER SEALS
SOUTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2017 AND 2016

EASTER SEALS SOUTHWEST FLORIDA, INC.
FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Easter Seals Southwest Florida, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

February 14, 2018
Bradenton, Florida

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

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 17,727	\$ 19,739
Cash restricted	26,305	45,830
Investments	145,893	156,952
Interest in net assets of Foundation	4,672,023	4,853,330
Accounts receivable, net	232,042	213,330
Prepaid expenses	94,804	41,991
Deposits	4,692	4,692
Remainder trusts receivable	269,916	243,948
Property, plant and equipment, net	<u>1,270,053</u>	<u>1,342,312</u>
TOTAL ASSETS	<u>\$ 6,733,455</u>	<u>\$ 6,922,124</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 117,875	\$ 70,892
Other accrued expenses	177,268	151,872
Deferred revenue	<u>9,156</u>	<u>21,662</u>
Total Liabilities	304,299	244,426
Net Assets		
Unrestricted-undesignated	2,257,621	2,651,928
Unrestricted-Board Designated	<u>17,448</u>	<u>28,507</u>
Total Unrestricted	2,275,069	2,680,435
Temporarily restricted	306,325	299,882
Permanently restricted	<u>3,847,762</u>	<u>3,697,381</u>
Total Net Assets	<u>6,429,156</u>	<u>6,677,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,733,455</u>	<u>\$ 6,922,124</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 620,259	\$ -	\$ -	\$ 620,259
Bequests and trusts	-	-	-	-
Special events	448,486	-	-	448,486
Less: Special events direct (expenses)	(132,323)	-	-	(132,323)
Total Public Support	<u>936,422</u>	<u>-</u>	<u>-</u>	<u>936,422</u>
Program Revenue	2,500,900	-	-	2,500,900
Other Revenue:				
Contributions from Foundation	458,958	-	-	458,958
Investment income (loss)	9,342	-	-	9,342
Change in value of split interest agreement	-	25,968	-	25,968
Other income	8,590	-	-	8,590
Total Other Revenue	<u>476,890</u>	<u>25,968</u>	<u>-</u>	<u>502,858</u>
Total Public Support and Revenue	3,914,212	25,968	-	3,940,180
Reclassifications:				
Net assets released from restrictions	19,525	(19,525)	-	-
Total Public Support, Revenue and Reclassification	3,933,737	6,443	-	3,940,180
Expenses:				
Program services	3,531,523	-	-	3,531,523
Fundraising	301,586	-	-	301,586
Management and General	136,062	-	-	136,062
	<u>3,969,171</u>	<u>-</u>	<u>-</u>	<u>3,969,171</u>
Payments to Easter Seals National	38,244	-	-	38,244
Total Expenses	<u>4,007,415</u>	<u>-</u>	<u>-</u>	<u>4,007,415</u>
Change in net assets before adjustment for interest in Foundation	(73,678)	6,443	-	(67,235)
Adjustment for change in interest in net assets of Foundation	(331,688)	-	150,381	(181,307)
Increase (decrease) in net assets	(405,366)	6,443	150,381	(248,542)
Net assets at beginning of year	<u>2,680,435</u>	<u>299,882</u>	<u>3,697,381</u>	<u>6,677,698</u>
Net assets at end of year	<u>\$ 2,275,069</u>	<u>\$ 306,325</u>	<u>\$ 3,847,762</u>	<u>\$ 6,429,156</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	Total
Public Support:				
Contributions	\$ 701,665	\$ 15,000	\$ -	\$ 716,665
Bequests and trusts	10,145	-	-	10,145
Special events	141,328	-	-	141,328
Less: Special events direct (expenses)	(58,065)	-	-	(58,065)
Total Public Support	<u>795,073</u>	<u>15,000</u>	<u>-</u>	<u>810,073</u>
Program Revenue	2,102,536	-	-	2,102,536
Other Revenue:				
Contributions from Foundation	905,135	-	-	905,135
Investment income (loss)	18,961	(699)	(7,276)	10,986
Change in value of split interest agreement	-	1,644	-	1,644
Gain (Loss) on disposal of assets	-	-	-	-
Other income	4,787	-	-	4,787
Total Other Revenue	<u>928,883</u>	<u>945</u>	<u>(7,276)</u>	<u>922,552</u>
Total Public Support and Revenue	3,826,492	15,945	(7,276)	3,835,161
Reclassifications:				
Net assets released from restrictions	<u>100,725</u>	<u>(100,725)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenue and Reclassification	3,927,217	(84,780)	(7,276)	3,835,161
Expenses:				
Program services	3,399,448	-	-	3,399,448
Fundraising	282,268	-	-	282,268
Management and General	130,209	-	-	130,209
	<u>3,811,925</u>	<u>-</u>	<u>-</u>	<u>3,811,925</u>
Payments to Easter Seals National	34,352	-	-	34,352
Total Expenses	<u>3,846,277</u>	<u>-</u>	<u>-</u>	<u>3,846,277</u>
Change in net assets before adjustment for interest in Foundation	80,940	(84,780)	(7,276)	(11,116)
Adjustment for change in interest in net assets of Foundation	<u>(804,489)</u>	<u>816</u>	<u>(60,051)</u>	<u>(863,724)</u>
Increase (decrease) in net assets	(723,549)	(83,964)	(67,327)	(874,840)
Net assets at beginning of year	<u>3,403,984</u>	<u>383,846</u>	<u>3,764,708</u>	<u>7,552,538</u>
Net assets at end of year	<u>\$ 2,680,435</u>	<u>\$ 299,882</u>	<u>\$ 3,697,381</u>	<u>\$ 6,677,698</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, 2017

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	RESPIRE SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 997,069	\$ 558,665	\$ 97,660	\$ 512,457
Benefits	160,014	56,412	15,361	65,101
Payroll taxes	75,834	42,842	7,706	40,482
Total personnel expenses	1,232,917	657,919	120,727	618,040
Advertising	385	-	-	-
Bad Debts	109	-	-	5,415
Contract labor	-	68	-	-
Dues and subscriptions	323	1,938	96	258
Equipment expense	71	3,846	7	36
Inkind expense	-	-	-	-
Insurance	42,149	946	163	870
License, fees and taxes	3,837	2,232	305	1,722
Office expense	3,344	1,765	414	1,351
Other expenses	19,399	1,402	241	58,208
Professional fees	65,743	51,207	5,716	52,408
Properties	154,710	32,913	19,169	80,641
Repairs and maintenance	13,486	100	-	1,588
Supplies	20,381	11,964	6,405	28,959
Telephone	8,904	3,123	263	394
Transportation	22,699	-	-	3,354
Travel and Training	7,769	20,250	854	3,172
Total non-personnel expenses	363,309	131,754	33,633	238,376
Total expenses before depreciation	1,596,226	789,673	154,360	856,416
Depreciation expense	72,706	15,355	8,943	37,844
TOTAL EXPENSES	<u>\$ 1,668,932</u>	<u>\$ 805,028</u>	<u>\$ 163,303</u>	<u>\$ 894,260</u>

SUPPORTING SERVICES

<u>TOTAL PROGRAM SERVICES</u>	<u>FUND RAISING</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL SUPPORT SERVICES</u>	<u>2017 TOTALS</u>
\$ 2,165,851	\$ 92,985	\$ 45,093	\$ 138,078	\$ 2,303,929
296,888	16,464	9,522	25,986	322,874
166,864	8,772	5,024	13,796	180,660
2,629,603	118,221	59,639	177,860	2,807,463
385	24,390	-	24,390	24,775
5,524	-	-	-	5,524
68	-	-	-	68
2,615	13,887	203	14,090	16,705
3,960	-	48	48	4,008
-	60,660	-	60,660	60,660
44,128	-	1,180	1,180	45,308
8,096	1,837	2,201	4,038	12,134
6,874	8,628	1,798	10,426	17,300
79,250	528	751	1,279	80,529
175,074	41,275	35,263	76,538	251,612
287,433	13,056	22,806	35,862	323,295
15,174	-	-	-	15,174
67,709	20	-	20	67,729
12,684	326	146	472	13,156
26,053	-	-	-	26,053
32,045	12,667	1,359	14,026	46,071
767,072	177,274	65,755	243,029	1,010,101
3,396,675	295,495	125,394	420,889	3,817,564
134,848	6,091	10,668	16,759	151,607
<u>\$ 3,531,523</u>	<u>\$ 301,586</u>	<u>\$ 136,062</u>	<u>\$ 437,648</u>	<u>\$ 3,969,171</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, 2016

	PROGRAM SERVICES			
	DAY PROGRAM AND EMPLOYMENT SERVICES	CHILDREN'S THERAPY SERVICES	RESPIRE SERVICES	CHILDREN'S EDUCATIONAL PROGRAM
Salaries	\$ 990,475	\$ 448,698	\$ 110,131	\$ 493,179
Benefits	177,102	46,161	20,404	71,095
Payroll taxes	77,816	34,413	8,792	40,395
Total personnel expenses	1,245,393	529,272	139,327	604,669
Advertising	360	-	-	-
Bad Debts	1,961	846	218	6,365
Contract labor	-	-	-	-
Dues and subscriptions	1,727	1,943	192	1,817
Equipment expense	851	1,462	6	631
Inkind expense	87,167	3,113	2,075	11,415
Insurance	40,306	907	233	1,019
License, fees and taxes	4,125	2,047	390	2,000
Office expense	82	479	21	164
Other expenses	9,293	1,463	284	627
Professional fees	21,670	28,313	2,204	14,932
Properties	148,649	30,182	17,497	74,946
Repairs and maintenance	20,847	-	-	-
Supplies	31,646	4,644	4,796	68,530
Telephone	10,483	2,798	174	662
Transportation	20,668	-	-	689
Travel and Training	10,085	14,289	514	1,929
Total non-personnel expenses	409,920	92,486	28,604	185,726
Total expenses before depreciation	1,655,313	621,758	167,931	790,395
Depreciation expense	89,894	18,253	10,581	45,323
TOTAL EXPENSES	<u>\$ 1,745,207</u>	<u>\$ 640,011</u>	<u>\$ 178,512</u>	<u>\$ 835,718</u>

SUPPORTING SERVICES

TOTAL PROGRAM SERVICES	FUND RAISING	MANAGEMENT AND GENERAL	TOTAL SUPPORT SERVICES	2016 TOTALS
\$ 2,042,483	\$ 90,948	\$ 60,096	\$ 151,044	\$ 2,193,527
314,762	20,042	10,301	30,343	345,105
161,416	8,231	6,391	14,622	176,038
2,518,661	119,221	76,788	196,009	2,714,670
360	20,958	-	20,958	21,318
9,390	-	1,369	1,369	10,759
-	-	-	-	-
5,679	13,001	1,205	14,206	19,885
2,950	-	38	38	2,988
103,770	62,607	-	62,607	166,377
42,465	-	1,467	1,467	43,932
8,562	931	2,450	3,381	11,943
746	82	-	82	828
11,667	2,934	777	3,711	15,378
67,119	36,691	9,291	45,982	113,101
271,274	11,665	21,434	33,099	304,373
20,847	-	-	-	20,847
109,616	-	-	-	109,616
14,117	150	463	613	14,730
21,357	-	-	-	21,357
26,817	6,974	1,965	8,939	35,756
716,736	155,993	40,459	196,452	913,188
3,235,397	275,214	117,247	392,461	3,627,858
164,051	7,054	12,962	20,016	184,067
<u>\$ 3,399,448</u>	<u>\$ 282,268</u>	<u>\$ 130,209</u>	<u>\$ 412,477</u>	<u>\$ 3,811,925</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,

	2017	2016
Cash flows from operating activities:		
Collections from consumers	\$ 2,482,079	\$ 1,997,321
Operating expenses paid	(3,767,968)	(3,426,195)
Interest received	3,901	4,634
Other income received	1,328,216	1,537,723
Net cash provided by (used in) operating activities	<u>46,228</u>	<u>113,483</u>
Cash flow from investing activities		
(Purchases) of buildings and equipment	(80,098)	(179,978)
(Increase) decrease in value of remainder trust	-	9,817
Sales of investments, net	12,333	15,270
Net cash (used in) investing activities	<u>(67,765)</u>	<u>(154,891)</u>
Net Increase (Decrease) in cash and cash equivalents	(21,537)	(41,408)
Cash and cash equivalents, Beginning of year	<u>65,569</u>	<u>106,977</u>
Cash and cash equivalents, End of year	<u>\$ 44,032</u>	<u>\$ 65,569</u>
Reconciliation of Net Assets to net cash from Operating Activities:		
(Decrease) in Net Assets	\$ (248,542)	\$ (874,840)
Adjustments to reconcile increase (decrease) in net assets to cash provided by (used in) operating activities:		
Depreciation	151,607	184,067
Bad debts	109	10,759
(Gain) on disposal of assets	751	-
Unrealized (gain)/loss on investments	(1,274)	(7,691)
Change in Value of Split Interest Agreements	(25,968)	(1,644)
Change in Net Assets of Foundation	181,307	863,724
(Increase) in assets:		
Accounts receivable	(18,821)	(105,215)
Prepaid expenses	(52,814)	20,239
Increase (decrease) in liabilities:		
Accounts payable	46,983	12,596
Other accrued expenses	25,396	35,861
Deferred revenue	(12,506)	(14,557)
Deferred revenue – pooled income	-	(9,816)
Net cash provided by (used in) operating activities	<u>\$ 46,228</u>	<u>\$ 113,483</u>

The accompanying notes are an integral part of these financial statements

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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 (FASB) 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 \$26,305 at August 31, 2017. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Investments

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

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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, 2017 and 2016 in the amount of \$40,000.

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, 2017 and 2016 was \$151,607 and \$184,067, respectively. Repair and maintenance costs are expensed as incurred and the Organization is not currently planning any major maintenance activities.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was \$25,277 in 2017 and \$23,863 in 2016.

Contributions

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received.

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.

Program Revenue

Program revenue includes those revenue items earned from providing services to clients in the ordinary course of business by the Organization. Those revenues are recognized at the time of service and recorded at the amount the Organization expects to collect.

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 the three previous fiscal years remain open to examination.

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 \$60,660 and \$166,377 have been recognized as a revenue and an expense during the years ended August 31, 2017 and 2016, 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, such as food, and services received in conjunction with programs and special events.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

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

Donated Assets and Services – Continued

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.

Fair Value Measurements

FASB ASC Topic 820, Fair value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that 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
AUGUST 31, 2017 AND 2016

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

Reclassifications

Permanently restricted net assets as of August 31, 2015 were reduced by \$698,903 and unrestricted net assets increased by the same amount to conform with the reclassification in the financial statements of the Easter Seals Southwest Florida Foundation, Inc. The reclassifications had no effect on previously reported change in net assets, or total net assets.

NOTE B – INVESTMENTS

Investments were as follows:

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
<u>AUGUST 31, 2017</u>			
Board designated net assets	\$ 17,448	\$ 17,448	\$ -0-
Permanently restricted funds	<u>111,860</u>	<u>128,445</u>	<u>16,585</u>
Total	<u>\$ 129,308</u>	<u>\$ 145,893</u>	<u>\$ 16,585</u>

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED APPRECIATION (DEPRECIATION)</u>
<u>AUGUST 31, 2016</u>			
Temporarily restricted funds	\$ 27,195	\$ 28,507	\$ 1,312
Permanently restricted funds	<u>114,447</u>	<u>128,445</u>	<u>13,998</u>
Total	<u>\$ 141,642</u>	<u>\$ 156,952</u>	<u>\$ 15,310</u>

Investments consist of the following at August 31,:

	<u>2017 FAIR MARKET VALUE</u>	<u>2016 FAIR MARKET VALUE</u>
Money market funds	\$ 1,188	\$ 3,203
Mutual funds:		
Corporate bond funds	81,438	92,931
Stock funds	53,080	54,472
Commodities	5,373	-0-
Real estate	<u>4,814</u>	<u>6,346</u>
Total	<u>\$ 145,893</u>	<u>\$ 156,952</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 3,901	\$ 4,633
Realized gains (losses) on investments	4,167	(1,338)
Unrealized gains (losses) on investments	<u>1,274</u>	<u>7,691</u>
Total	<u>\$ 9,342</u>	<u>\$ 10,986</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE B – INVESTMENTS – CONTINUED

Fair Value Measurements

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at August 31, 2017 and 2016 are as follows:

	2017			Totals
	Level 1	Level 2	Level 3	
Short-term Money Market	\$ -0-	\$ 1,188	\$ -0-	\$ 1,188
Equities				
Large Cap	26,423	-0-	-0-	26,423
Mid Cap	4,794	-0-	-0-	4,794
Small Cap	2,598	-0-	-0-	2,598
International	-0-	19,265	-0-	19,265
Commodities	-0-	5,373	-0-	5,373
Real Estate Funds	4,814	-0-	-0-	4,814
Fixed Income				
Corporate/Government	-0-	81,438	-0-	81,438
Interest in net assets of Foundation	-0-	-0-	4,672,023	4,672,023
Interest in Remainder Trusts	-0-	-0-	269,916	269,916
Totals	<u>\$ 38,629</u>	<u>\$ 107,264</u>	<u>\$ 4,941,939</u>	<u>\$ 5,087,832</u>

	2016			Totals
	Level 1	Level 2	Level 3	
Short-term Money Market	\$ -0-	\$ 3,203	\$ -0-	\$ 3,203
Equities				
Large Cap	34,353	-0-	-0-	34,353
Mid Cap	5,197	-0-	-0-	5,197
Small Cap	656	-0-	-0-	656
International	-0-	14,266	-0-	14,266
Real Estate Funds	6,346	-0-	-0-	6,346
Fixed Income				
Corporate/Government	-0-	92,931	-0-	92,931
Interest in net assets of Foundation	-0-	-0-	4,853,330	4,853,330
Interest in Remainder Trusts	-0-	-0-	243,948	243,948
Totals	<u>\$ 46,552</u>	<u>\$ 110,400</u>	<u>\$ 5,097,278</u>	<u>\$ 5,254,230</u>

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2017 and 2016.

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.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE B – INVESTMENTS – CONTINUED

Equities and Commodities:

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

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 and real estate funds:

Mutual and real estate 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 measured at the fair value of the Organization's interest in the net assets of 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 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.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE B – INVESTMENTS – CONTINUED

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>8/31/17</u>	<u>8/31/16</u>
Beginning Balance	\$ 4,853,330	\$ 5,717,054
Change in value of interest in net assets of Foundation	(181,307)	(863,724)
Ending Balance	<u>\$ 4,672,023</u>	<u>\$ 4,853,330</u>
 <u>Interest in Remainder Trusts</u>	 <u>8/31/17</u>	 <u>8/31/16</u>
Beginning Balance	\$ 243,948	\$ 252,121
Distributions received	-0-	-0-
Change in value of interest in remainder Trusts	25,968	(8,173)
Ending Balance	<u>\$ 269,916</u>	<u>\$ 243,948</u>

NOTE C – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consist of the following at August 31, 2017 and 2016:

	<u>2017</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	272,542	219,280	53,262
Buildings and improvements	2,867,640	2,334,421	533,219
Vehicles	510,969	302,038	208,931
Construction in Progress	3,438	-0-	3,438
Furniture, fixtures and equipment	363,140	330,608	32,532
Total	<u>\$ 4,456,400</u>	<u>\$ 3,186,347</u>	<u>\$ 1,270,053</u>
	 <u>2016</u>		
	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>NET BOOK VALUE</u>
Land	\$ 438,671	\$ -0-	\$ 438,671
Land improvements	272,542	208,269	64,273
Buildings and improvements	2,837,678	2,250,435	587,243
Vehicles	503,364	278,611	224,753
Furniture, fixtures and equipment	357,134	329,762	27,372
Total	<u>\$ 4,409,389</u>	<u>\$ 3,067,077</u>	<u>\$ 1,342,312</u>

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Charitable remainder trusts	\$ 269,916	\$ 243,948
Interest in net assets of Venice Foundation	10,104	10,104
Grants restricted by donors	<u>26,305</u>	<u>45,830</u>
Total	<u>\$ 306,325</u>	<u>\$ 299,882</u>

NOTE E – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets include an endowment fund held by Northern Trust, in the amount of \$128,445 from which the income is available for use to support the Organization, at the discretion of the trustees, as well as the Organization's interest in net assets of the Foundation of \$3,719,317, which is permanently restricted on the Foundation's financial statements.

NOTE F – ENDOWMENT

The Organization has an endowment fund which includes donor restricted endowments and a board designated endowment. 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 donor-restricted 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. The board designated portion of the endowment is classified as such as part of unrestricted 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.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE F – ENDOWMENT – CONTINUED

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

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%	30%	70%
Alternatives (e.g. hedging, managed futures, private equity)	5%	10%	15%

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.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE F – ENDOWMENT – CONTINUED

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, 2017 and 2016, the Organization had the following donor-restricted endowment-related activities:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 128,445	\$ 135,721
Investment return		
Interest and dividends	3,895	3,799
Net (depreciation) appreciation of value	5,442	6,311
Distributions	(7,616)	(16,668)
Appropriated for expenditure	(1,271)	(718)
Ending Balance	<u>\$ 128,445</u>	<u>\$ 128,445</u>

The organization had the following board designated endowment fund activity in 2016:

	<u>2017</u>	<u>2016</u>
Beginning Balance	\$ 28,507	\$ -0-
Distributions	(11,059)	-0-
Contributions	-0-	28,507
Ending Balance	<u>\$ 17,448</u>	<u>\$ 28,507</u>

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. On January 1, 2013 the discretionary matching contribution was suspended. On March 1, 2015 the discretionary matching contribution was reinstated. Matching contributions totaled \$26,438 and \$17,679 for 2017 and 2016, 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, 2017, the Organization received support from the Foundation in the amount of \$650,566. This amount represented contributions of \$458,958 for operations, development, and capital, as well as, \$134,042 for wages, \$29,086 for benefits, \$1,635 for supplies, \$24,750 for software fees, and \$2,095 for board and other expenses.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE H – RELATED PARTY TRANSACTIONS – CONTINUED

During the fiscal year ended August 31, 2016, the Organization received support from the Foundation in the amount of \$1,089,647. This amount represented contributions of \$905,135 for operations, development, and capital, as well as \$128,102 for wages, \$26,590 for benefits, \$2,100 for supplies, \$27,000 for software fees, and \$720 for board expenses.

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 accounting principles generally accepted in the U.S. 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. At August 31, 2017 and 2016, the Organization's interest in the net assets of the Foundation was \$4,672,023 and \$4,853,330, 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>2017</u>	<u>2016</u>
Adjustment for change in interest In net assets of Foundation	\$ <u>(181,307)</u>	\$ <u>(863,724)</u>

The Foundation has approved a \$500,000 line-of-credit to the Organization to cover operating costs. The line does not contemplate interest and must be paid to a \$-0- balance at least once during each year. There was a balance of \$-0- outstanding on the line-of-credit at August 31, 2017 and 2016.

NOTE I – CONCENTRATION OF CREDIT AND OTHER RISKS

Financial instruments that potentially subject the Organization to credit risk consists of cash and cash equivalents and investments.

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, 2017 and 2016.

EASTER SEALS SOUTHWEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

NOTE I – CONCENTRATION OF CREDIT AND OTHER RISKS – CONTINUED

The Organization holds various investments in securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2018 the date on which the financial statements were available to be issued.