EASTERSEALS CENTRAL
AND SOUTHEAST OHIO, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2016 and 2015

WSSR

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CERTIFIED PUBLIC ACCOUNTANTS

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EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.

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November 28, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Easterseals Central and Southeast Ohio, Inc.
Columbus, Ohio

We have audited the accompanying financial statements of Easterseals Central and Southeast Ohio, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expense, 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 entity'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 such an opinion on the effectiveness of the entity'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 Easterseals Central and Southeast Ohio, Inc. (a nonprofit organization) as of August 31, 2016 and 2015, 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP
Whited Seigneur Sams & Rahe

EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS

CURRENT ASSETS	**2016**	**2015**
Cash and cash equivalents	$ 660,427	$ 1,111,831
Accounts receivable, net	305,886	301,540
Unconditional promises to give	-	1,020
Prepaid expenses	12,816	19,128
TOTAL CURRENT ASSETS	979,129	1,433,519
INVESTMENTS	1,810,495	1,720,762
PROPERTY, PLANT AND EQUIPMENT, NET	3,181,865	3,246,832
OTHER ASSETS		
Beneficial interest in assets held by others	60,267	57,219
Cash surrender value of life insurance	224,092	239,780
Other assets	25,287	1,800
TOTAL OTHER ASSETS	309,646	298,799
TOTAL ASSETS	$ 6,281,135	$ 6,699,912

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$ 34,441	$ 89,316
Accrued expenses	256,801	272,054
Deferred income	78,078	501,169
Capital lease obligation, current portion	37,439	23,719
Mortgage payable, current portion	58,897	65,434
TOTAL CURRENT LIABILITIES	465,656	951,692
LONG TERM LIABILITIES		
Liability for pension benefits	960,763	688,679
Capital lease obligation	80,533	42,716
Mortgage interest swap liability	96,388	-
Mortgage payable	1,588,738	1,642,731
TOTAL LIABILITIES	3,192,078	3,325,818
NET ASSETS		
Unrestricted:		
Board designated	678,779	608,850
Undesignated	1,930,764	2,307,901
Total unrestricted net assets	2,609,543	2,916,751
Temporarily restricted	34,154	11,983
Permanently restricted	445,360	445,360
TOTAL NET ASSETS	3,089,057	3,374,094
TOTAL LIABILITIES AND NET ASSETS	$ 6,281,135	$ 6,699,912

EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 225,342	$ 62,206	$ -	$ 287,548
Special events, net of related expenses	112,703	-	-	112,703
Program service fees, net	2,472,709	-	-	2,472,709
Grants and contract revenue	1,748,966	-	-	1,748,966
Investment income	121,551	(28,880)	-	92,671
In-kind contributions	668	-	-	668
Mortgage interest rate swap gain/(loss)	(96,388)	-	-	(96,388)
Other	3,149	-	-	3,149
Total Revenue	4,588,700	33,326	-	4,622,026
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of time restrictions	(48,684)	48,684	-	-
Satisfaction of program restrictions	51,134	(51,134)	-	-
Satisfaction of capital acquisition restrictions	8,705	(8,705)	-	-
Total net assets released from restrictions	11,155	(11,155)	-	-
Total Revenues, Gains, and Other Support	4,599,855	22,171	-	4,622,026
EXPENSES				
Program services:				
Public health education	111,035	-	-	111,035
Early childhood education	1,043,898	-	-	1,043,898
After school	194,773	-	-	194,773
Other	154,498	-	-	154,498
Adult day - Ross	333,338	-	-	333,338
Adult day - Knox	187,627	-	-	187,627
In-Home and Ohio Home Choice	1,482,991	-	-	1,482,991
Ombudsman	508,901	-	-	508,901
Total Program Expenses	4,017,061	-	-	4,017,061
Supporting services:				
Management and general	406,039	-	-	406,039
Fundraising	151,154	-	-	151,154
Total Supporting Service Expenses	557,193	-	-	557,193
Total Program and Supporting Services Expenses	4,574,254	-	-	4,574,254
Unallocated payments to affiliated organizations	48,053	-	-	48,053
Total Expenses	4,622,307	-	-	4,622,307
Pension-related changes other than net periodic pension cost	(284,756)	-	-	(284,756)
CHANGE IN NET ASSETS	(307,208)	22,171	-	(285,037)
NET ASSETS, BEGINNING OF YEAR	2,916,751	11,983	445,360	3,374,094
NET ASSETS, END OF YEAR	$ 2,609,543	$ 34,154	$ 445,360	$ 3,089,057

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 283,362	$ 55,379	$ -	$ 338,741
141,360	-	-	141,360
2,579,321	-	-	2,579,321
1,497,647	-	-	1,497,647
(5,897)	1,557	-	(4,340)
690	-	-	690
10,992	-	-	10,992
4,507,475	56,936	-	4,564,411
122,727	(122,727)	-	-
46,341	(46,341)	-	-
12,500	(12,500)	-	-
181,568	(181,568)	-	-
4,689,043	(124,632)	-	4,564,411
54,517	-	-	54,517
1,020,943	-	-	1,020,943
149,685	-	-	149,685
31,041	-	-	31,041
311,757	-	-	311,757
157,999	-	-	157,999
1,472,006	-	-	1,472,006
491,296	-	-	491,296
3,689,244	-	-	3,689,244
379,276	-	-	379,276
246,804	-	-	246,804
626,080	-	-	626,080
4,315,324	-	-	4,315,324
46,945	-	-	46,945
4,362,269	-	-	4,362,269
(137,957)	-	-	(137,957)
188,817	(124,632)	-	64,185
2,727,934	136,615	445,360	3,309,909
$ 2,916,751	$ 11,983	$ 445,360	$ 3,374,094

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED AUGUST 31, 2016

	Program Services					
	Public Health Education	Early Childhood Education	After School	Other	Adult Day-Ross	Adult Day-Knox
Salaries	$ 83,739	$ 500,501	$ 88,987	$ 97,292	$ 190,349	$ 91,036
Payroll taxes	5,998	39,891	7,459	7,643	15,812	9,568
Employee benefits	1,466	11,916	1,542	4,397	712	907
Total Salaries and Related Expenses	91,203	552,308	97,988	109,332	206,873	101,511
Professional fees	607	264,828	74,981	18,111	9,069	13,034
Supplies	334	18,191	4,655	8,693	6,373	3,796
Telephone	729	6,343	1,753	805	4,538	3,056
Postage and shipping	234	1,311	227	154	144	331
Occupancy	1,048	30,788	1,282	351	20,781	31,014
Minor equipment	1,259	9,968	373	2,695	11,235	3,184
Local transportation	3,527	12,404	2,269	2,808	4,417	3,382
Conferences and meetings	1,055	4,489	166	771	487	1,483
Printing and publications	5,798	1,939	173	1,208	705	541
Insurance	-	15,506	3,539	1,843	1,659	3,687
Membership fees	1,017	6,181	284	1,906	2,025	3,208
Interest	-	25,009	3,126	3,126	19,720	6,252
Miscellaneous	1,070	2,841	220	1,843	735	519
Subtotal	107,881	952,106	191,036	153,646	288,761	174,998
Depreciation	3,154	91,792	3,737	852	44,577	12,629
Total Expenses	$ 111,035	$ 1,043,898	$ 194,773	$ 154,498	$ 333,338	$ 187,627
Percent of total expenses	2.4%	22.8%	4.3%	3.4%	7.3%	4.1%

In-Home and Ohio Home Choice	Ombudsman	Total Program Services	Supporting Services: Management and General	Fund Raising	Total	2016 Total All Services
$ 1,152,803	$ 389,512	$ 2,594,219	$ 255,375	$ 98,324	$ 353,699	$ 2,947,918
136,685	35,565	258,621	21,948	8,285	30,233	288,854
12,760	3,759	37,459	84,227	2,398	86,625	124,084
1,302,248	428,836	2,890,299	361,550	109,007	470,557	3,360,856
34,183	15,513	430,326	32,083	14,417	46,500	476,826
5,407	4,770	52,219	604	974	1,578	53,797
7,007	7,279	31,510	733	1,045	1,778	33,288
901	804	4,106	-	432	432	4,538
9,185	10,485	104,934	1,813	1,531	3,344	108,278
4,893	1,497	35,104	2,147	1,632	3,779	38,883
47,682	27,008	103,497	464	4,522	4,986	108,483
4,278	352	13,081	252	2,340	2,592	15,673
3,030	1,871	15,265	411	873	1,284	16,549
9,400	3,212	38,846	-	3,687	3,687	42,533
8,086	976	23,683	79	927	1,006	24,689
15,945	-	73,178	-	3,904	3,904	77,082
3,920	1,140	12,288	445	1,256	1,701	13,989
1,456,165	503,743	3,828,336	400,581	146,547	547,128	4,375,464
26,826	5,158	188,725	5,458	4,607	10,065	198,790
$ 1,482,991	$ 508,901	$ 4,017,061	$ 406,039	$ 151,154	$ 557,193	$ 4,574,254
32.4%	11.1%	87.8%	8.9%	3.3%	12.2%	100.0%

EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED AUGUST 31, 2015

	Program Services					
	Public Health Education	Early Childhood Education	After School	Other	Adult Day-Ross	Adult Day-Knox
Salaries	$ 44,221	$ 503,806	$ 68,899	$ 20,431	$ 163,838	$ 89,282
Payroll taxes	3,046	38,001	6,069	1,521	11,953	6,703
Employee benefits	34	12,624	1,178	62	7,831	1,157
Related Expenses	47,301	554,431	76,146	22,014	183,622	97,142
Professional fees	63	226,757	60,385	135	9,920	5,305
Supplies	387	21,661	1,643	6,031	6,018	4,071
Telephone	380	8,358	1,857	6	3,996	2,321
Postage and shipping	18	934	251	8	171	322
Occupancy	1,004	29,981	1,499	7	19,754	2,747
Minor equipment	932	11,558	227	768	8,446	32,044
Local transportation	282	11,415	1,765	453	4,542	2,197
Conferences and meetings	411	6,199	192	64	1,452	1,090
Printing and publications	483	1,843	117	45	1,505	983
Insurance	-	13,802	1,695	-	2,446	-
Membership fees	117	6,869	58	1	2,338	3,158
Interest	-	28,533	-	-	22,867	-
Miscellaneous	30	5,813	95	1,489	857	395
Subtotal	51,408	928,154	145,930	31,021	267,934	151,775
Depreciation	3,109	92,789	3,755	20	43,823	6,224
Total Expenses	$ 54,517	$ 1,020,943	$ 149,685	$ 31,041	$ 311,757	$ 157,999
Percent of total expenses	1.3%	23.7%	3.5%	0.7%	7.2%	3.7%

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

In-Home and Ohio Home Choice	Ombudsman	Total Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total	2015 Total All Services
$ 1,159,511	$ 364,277	$ 2,414,265	$ 281,480	$ 149,441	$ 430,921	$ 2,845,186
86,899	31,920	186,112	11,716	10,827	22,543	208,655
26,481	4,449	53,816	59,510	12,903	72,413	126,229
1,272,891	400,646	2,654,193	352,706	173,171	525,877	3,180,070
35,114	13,788	351,467	14,055	26,944	40,999	392,466
7,517	4,636	51,964	664	1,490	2,154	54,118
7,829	8,014	32,761	983	1,873	2,856	35,617
800	554	3,058	28	645	673	3,731
8,590	9,773	73,355	1,746	1,617	3,363	76,718
6,493	3,442	63,910	2,248	2,765	5,013	68,923
46,998	28,988	96,640	229	3,494	3,723	100,363
5,636	1,079	16,123	452	1,820	2,272	18,395
4,430	2,605	12,011	331	368	699	12,710
10,598	7,270	35,811	-	6,522	6,522	42,333
11,473	3,575	27,589	57	4,171	4,228	31,817
23,183	-	74,583	-	14,266	14,266	88,849
3,867	1,806	14,352	375	2,654	3,029	17,381
1,445,419	486,176	3,507,817	373,874	241,800	615,674	4,123,491
26,587	5,120	181,427	5,402	5,004	10,406	191,833
$ 1,472,006	$ 491,296	$ 3,689,244	$ 379,276	$ 246,804	$ 626,080	$ 4,315,324
34.1%	11.4%	85.5%	8.8%	5.7%	14.5%	100.0%

EASTERSEALS CENTRAL AND SOUTHEAST OHIO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities		
Change in Net Assets	$ (285,037)	$ 64,185
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and amortization	198,788	191,833
Cash surrender value of life insurance	15,688	(10,297)
Gain on sale/disposal of property, plant and equipment, net	(1,200)	-
Realized and unrealized (gain) loss on investments	24,101	(43,848)
Realized and unrealized gain and reinvested interest and dividends on beneficial interest in assets held by others	(3,048)	2,166
Pension-related other than periodic pension cost	284,756	137,957
Changes in assets and liabilities:		
Accounts receivable	(4,346)	(16,750)
Unconditional promises to give	1,020	1,180
Other assets	(17,175)	5,500
Accounts payable	(54,875)	23,594
Accrued expenses	(15,248)	40,732
Deferred revenue	(423,091)	457,451
Liability for pension benefits	(12,672)	(36,242)
Total Adjustments	(7,302)	753,276
Net Cash Provided by Operating Activities	(292,339)	817,461
Cash Flows From Investing Activities		
Proceeds from sale of investments	132,374	580,278
Purchase of investments	(246,209)	(1,024,116)
Acquisition of property and equipment	(55,167)	(50,786)
Net Cash Provided (Used) by Investing Activities	(169,002)	(494,624)
Cash Flows From Financing Activities		
Payments on long-term debt	(60,530)	(78,147)
Loss on interest rate swap	96,388	-
Payments on capital leases	(25,921)	(23,433)
Net Cash Provided (Used) by Financing Activities	9,937	(101,580)
Net Increase in Cash and Cash Equivalents	(451,404)	221,257
Cash and Cash Equivalents at Beginning of Year	1,111,831	890,574
Cash and Cash Equivalents at End of Year	$ 660,427	$ 1,111,831
Supplemental Data		
Cash paid for interest	$ 77,082	$ 88,849

Supplemental Noncash Information

During 2016, the Organization entered into capital leases totaling $77,457.

SEE THE ACCOMPANYING NOTES AND AUDITOR'S REPORT

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **NATURE OF ACTIVITIES**

Easterseals Central and Southeast Ohio, Inc. (the Organization) is a not-for-profit corporation established to provide education and rehabilitative services to individuals with disabilities in the Central and Southeast Ohio area. The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is a local affiliate of Easterseals, Inc.

- **Basis of Accounting**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are reported as follows:

- *Unrestricted net assets* are net assets that are free of donor-imposed restrictions. The Organization's Board designated unrestricted net assets are to be used to provide short-term working capital in the event that operating cash flow is insufficient, and to allow for new programs that may require internal financing during the startup phase.

- *Temporarily restricted net assets* are net assets whose use by the Organization is limited by donor-imposed restrictions that either expires by passage of time or that can be removed by actions of the Organization.

- *Permanently restricted net assets* are net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity by the Organization.

- **Cash and Cash Equivalents**

The Organization considers all investments with initial maturities of three months or less to be classified as cash and cash equivalents. At times throughout the year, cash balances may exceed federally insured limits.

- **Investments**

Investments are recorded at fair value. Realized and unrealized gains and losses are included in investment income in the accompanying statements of activities. Investment income is recognized when earned.

- **Accounts Receivable**

Certain receivables of the Organization are due from third-party payers, including Medicaid and commercial insurance carriers under contractual agreements by which payments may be at a discount from billed charges as is customary within the healthcare industry.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Accounts Receivable (continued)**

Management estimates an allowance for doubtful accounts. The estimate is based upon management's review of delinquent accounts and an assessment of the Organization's historical evidence of collections. No bad debt expense was recognized for the years ended August 31, 2016 and 2015, as a result of this estimate. Allowance for doubtful accounts was $0 at August 31, 2016 and 2015.

- **Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

- **Property and Equipment**

The Organization capitalizes, at cost, all expenditures for land, building, and equipment in excess of $1,000. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to thirty years. Expenditures for major improvements are capitalized, and repairs and maintenance are expensed. Dispositions of property and equipment are accounted for as reductions of the capitalized costs and related accumulated depreciation. Any resulting gain or loss is reflected in operations. Additionally, the Ohio Department of Aging (ODA), in its role as a pass-through entity for the Department of Health and Human Services, retains reversionary interest in capitalized assets purchased with ODA sourced funds.

- **Beneficial Interest in Assets Held by Others**

The Organization is the beneficiary for two funds held at The Columbus Foundation, Inc. Periodically, the Organization transfers assets to these funds and makes withdrawals as called for by specific program needs. The Organization retains the right to add or remove from these funds from time to time, as necessary. However, The Columbus Foundation has variance power over the funds and reserves the right to redirect the use of the transferred assets to another beneficiary. In accordance with guidance related to charitable trusts that raise or hold contributions for others, the Organization has recognized an asset for the fair value of the funds. The fair value is generally equivalent to the present value of the future payments expected to be received by the Organization from the funds.

- **Cash Surrender Value of Life Insurance**

The Organization has received various life insurance policies donated by individuals from time to time. The Organization is both owner and beneficiary of the policies with annual premium payments required from the insured. In the event of default by the insured, the Organization, at its option, may continue premium payments. There are no donor stipulations on the use of proceeds that may come from these policies, either at the donor's death or through redemption of cash surrender values.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Cash Surrender Value of Life Insurance (continued)**

  There were ten policies in force during 2016 and eleven during 2015 with an aggregate face value of $454,557 and $511,397, respectively. The policies had an aggregate cash surrender value of $224,092 and $239,780 at August 31, 2016 and 2015, respectively.

- **In-Kind Contributions**

  In accordance with accounting principles generally accepted in the United States of America, qualifying in-kind contributions are recorded in revenue and expense at their estimated fair value at the date of donation.

- **Estimates**

  The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

- **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 and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

- **Income Tax**

  The Organization has not identified any material uncertain tax provisions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities for the years ended August 31, 2016 and 2015 related to uncertain tax positions. The Organization is no longer subject to U.S. federal or state tax examinations prior to August 31, 2012.

- **Reclassifications**

  Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

- **Subsequent Events**

  Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through November 28, 2016, the date the financial statements were available to be issued.

2. RELATED PARTY TRANSACTIONS

The Organization incurred $48,053 and $46,945 of costs associated with its national affiliate Easterseals, Inc. and other regional Easterseals organizations for the years ended August 31, 2016 and 2015, respectively.

On July 21, 2014, the Organization entered into an agreement with five Easterseals affiliates within Ohio and West Virginia for the joint services of a Director of Public Affairs. The agreement stipulates the Organization will serve as the fiscal agent for the Director and thereby assume all employment responsibilities. Each affiliate will be billed monthly by the Organization for services provided by the Director, respectively. At August 31, 2016 and 2015, $26,910 and $19,360 was due to the Organization from the affiliates, respectively.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at August 31st:

	2016	2015
Ohio Home Choice program	$ 12,399	$ 19,160
Grants	4,500	-
OESLA	26,910	19,360
In-Home services	117,040	108,834
Adult Day program	57,132	51,098
Education	47,837	58,959
After School	152	668
AgrAbility	2,255	1,339
Transportation Billing Service	34,969	41,824
Other	2,692	298
Total	305,886	301,540
Allowance for uncollectable accounts	-	-
Gross accounts receivable	$ 305,886	$ 301,540

4. INVESTMENTS

The Organization records its investments at fair market value in accordance with the Financial Accounting Standards Board (FASB) guidance on fair value measurements. Investments by type consist of the following at August 31:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Cash & Cash Equivalents	$ 170,697	$ 170,696	$ 238,164	$ 238,164
Fixed Income	1,057,152	1,052,743	926,644	912,132
Equity	545,936	575,944	566,484	557,686
Real Estate Investments	15,265	11,112	15,265	12,780
	$ 1,789,050	$ 1,810,495	$ 1,746,557	$ 1,720,762

Components of investment income for the years ended August 31, 2016 and 2015 are as follows:

	2016	2015
Interest and dividends	$ 71,409	$ 27,194
Realized gain (loss)	(14,314)	9,540
Unrealized gain (loss)	35,575	(41,074)
	$ 92,670	$ (4,340)

5. FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value and establishes a framework for measuring fair value. That framework provides a 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below:

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 received 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 for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

5. FAIR VALUE MEASUREMENTS (Continued)

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 units. All investments are valued at the closing price reported in the active market on which the individual securities are traded. There have been no changes in the methodologies used at August 31, 2016 and 2015.

The method described above might produce a fair value calculation that might not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, 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.

Investment securities are exposed to various risks caused by changes in interest rates, general market volatility, and credit risk. Due to the level of risk associated with certain investment securities, it is possible that changes in market conditions in the near term could materially affect account balances and the amounts reported in the statement of activities and the statement of financial position.

The Organization's financial instruments consist primarily of cash and cash equivalents, accounts receivable, promises to give, investments, accounts payable and accrued liabilities. The carrying amount of these assets and liabilities approximates fair value due to the short-term nature of such financial instruments.

The cash surrender value of life insurance policies owned by the Organization represent the Organization's right to life insurance proceeds in the event of a death of the insured. Due to the nature of the asset and the lack of information for identical assets, the asset is considered to be valued using level 2 inputs.

Beneficial interests in perpetual trusts represent the Organization's right to receive future income generated by the underlying assets, which consist of marketable securities. The fair value of the beneficial interests in perpetual trusts is based upon the fair value of the underlying assets and is valued on a recurring basis. However, because there is not currently an active market to observe quoted prices for beneficial interests in perpetual trusts, the asset is considered to be valued using unobservable inputs and is, therefore, considered to be valued using level 3 inputs.

5. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of August 31, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash & Cash Equivalents	$ 170,697	$ -	$ -	$ 170,697
Fixed Income	1,052,743	-	-	1,052,743
Equity	575,943	-	-	575,943
Real Estate Investments	11,112	-	-	11,112
Total Equity	1,810,495	-	-	1,810,495
Beneficial Interest Held by Others	-	-	60,266	60,266
Cash Surrender Value, Life Insurance	-	224,092	-	224,092
Total assets at fair value	$ 1,810,495	$ 224,092	$ 60,266	$ 2,094,853
Liabilities				
Interest rate swaps	$ -	$ 96,388	$ -	$ 96,388
Total liabilities at fair value	$ -	$ 96,388	$ -	$ 96,388

	2015			
	Level 1	Level 2	Level 3	Total
Assets				
Cash & Cash Equivalents	$ 238,164	$ -	$ -	$ 238,164
Fixed Income	912,132			912,132
Equity	557,686			557,686
Real Estate Investments	12,780	-	-	12,780
Total Equity	1,720,762	-	-	1,720,762
Beneficial Interest Held by Others	-	-	57,219	57,219
Cash Surrender Value, Life Insurance	-	239,780	-	239,780
Total assets at fair value	$ 1,720,762	$ 239,780	$ 57,219	$ 2,017,761

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets and liabilities for the years ended August 31, 2016 and 2015:

	2016	2015
Beginning Balance	$ 57,219	$ 59,385
Unrealized gain	3,048	(2,166)
Ending balance	$ 60,267	$ 57,219

6. PROPERTY, PLANT AND EQUIPMENT

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

	2016	2015
Building	$ 3,125,107	$ 3,105,737
Equipment	545,232	430,779
Automobiles	72,970	72,970
Leasehold Improvements	18,000	18,000
Total depreciable assets	3,761,309	3,627,486
Less accumulated depreciation	(1,197,732)	(998,942)
Net depreciable assets	2,563,577	2,628,544
Land	618,288	618,288
Net property, plant & equipment	$ 3,181,865	$ 3,246,832

7. PENSION PLAN

The Organization participates in a defined benefit pension plan administered by Easterseals, Inc., the national affiliate. Benefits are based upon years of service and the employee's compensation for the highest five years during the last ten years of employment. Assets of the plan consist of mutual funds. The Organization's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974 (ERISA).

Effective May 31, 2003, the Organization froze its pension plan for all employees. Accordingly, employees hired after May 31, 2003 are not eligible to participate. No additional benefits accrue to employees who were participants in the plan at May 31, 2003 based on services provided after that date. In addition, employees who had already retired under the plan, or who are beneficiaries of a deceased participant, will continue to receive current benefits without any changes. The Organization contributed $94,900 and $95,107 to the pension plan for the years ended August 31, 2016 and 2015, respectively.

The Organization follows FASB guidance, which requires that the Organization recognize all obligations related to the defined benefit pension plan and quantify the plan's funding status as an asset or a liability on the Statement of Financial Position.

FASB guidance requires that the Organization measure the plan's assets and obligations that determine its funded status as of the end of the fiscal year. The Organization is also required to recognize the changes in funded status that occurred during the year that are not recognized as part of the net periodic benefit cost, as explained in FASB guidance related to Employers' Accounting for Pensions.

7. PENSION PLAN (Continued)

The following table provides a reconciliation of the changes in the plan's benefit obligations at August 31:

	2016	2015
Reconciliation of benefit obligation:		
Benefit obligation at beginning of year	$ 2,364,721	$ 2,362,582
Interest cost	103,775	103,066
Actuarial cost	339,372	(24,388)
Benefits paid	(79,363)	(76,539)
Benefits Obligation at End of Year	$ 2,728,505	$ 2,364,721
Reconciliation of fair value of plan assets:		
Fair value of plan assets at beginning of year	$ 1,676,042	$ 1,775,618
Actual return on plan assets	76,163	(118,144)
Employer contributions	94,900	95,107
Benefits paid	(79,363)	(76,539)
Fair Value of Plan Assets at End of Year	$ 1,767,742	$ 1,676,042
Funded Status	$ (960,763)	$ (688,679)
Components of net periodic benefit cost		
Interest cost	$ 103,775	$ 103,066
Expected return on assets	(100,077)	(106,942)
Recognized net actuarial loss	78,530	62,741
Net Periodic Cost	$ 82,228	$ 58,865

Amounts that have not yet been recognized as a component of net periodic benefit cost include net actuarial loss of $1,541,886.

Weighted average assumptions used in the accounting for the plan are as follows:

	2016	2015
Discount rate used to determine benefit obligation	3.70%	4.50%
Discount rate used to determine net periodic benefit cost	4.50%	4.45%
Expected long-term rate of return on assets	6.00%	6.00%

The long term rate of return on assets is not a snap shot determination and as such is intended to reflect the anticipated return on assets over a long investment horizon, at least 5 to 10 years.

7. PENSION PLAN (Continued)

The overall expected return-on-assets assumption for 2016 was based on an asset mix of 25% equity, 65% fixed income, and 10% opportunistic. Equity returns for 2016 were based on a combination of 51% CRSP US Total Market Index, 20% MSCI World Index, 9% MSCI EAFE Index, 10% MSCI ACWI ex US Index, and 10% Vanguard Total International Stock for the current year ended August 31, 2016. Fixed-income returns for 2016 were based on a combination of 56% B.C. Long Corp A+ Index, 38% B.C. Aggregate Bond Index, and 5% ML 91 Day T-Bill Index for the current year ended August 31, 2016. Opportunistic returns for 2016 were based on 100% Black Rock Blended Benchmark for the current year ended August 31, 2016. The expected nominal return on the assets for 2016 is 6.00%. This return assumption remains within a reasonable range given that it is a long-term expectation of a diversified, professionally managed portfolio. The rate of return is reviewed annually, to adjust for any changes in allocation or market expectations.

The pension plan assets consist of an interest in a pension trust. The fair value of the Organization's interest in the pension trust was valued using Level 1 inputs in the fair value hierarchy. The Organization's proportionate share of fair value of the underlying investments, which consist of mutual funds, are all valued based on quoted market prices.

	Plan Assets	Basis of Fair Value Measurement		
		Level 1	Level 2	Level 3
Cash & Cash Equivalents	$ 59,584	$ 59,584	$ -	$ -
Equity mutual funds	440,082	440,082	-	-
Fixed-income mutual funds	1,094,484	1,094,484	-	-
Other	173,592	173,592	-	-
	$ 1,767,742	$ 1,767,742	$ -	$ -

The allocation of plan assets by category is as follows at August 31:

	Target	Percentage of Plan Assets 2016	2015
Equity mutual funds	25.00%	24.90%	24.77%
Fixed-income mutual funds	65.00%	65.28%	65.24%
Other	10.00%	9.82%	9.99%
	100.00%	100.00%	100.00%

7. PENSION PLAN (Continued)

The Organization expects to contribute $50,780 in fiscal year 2017.

Benefit payments expected to be paid in the future are as follows:

Year Ending August 31	Amount
2016	$ 107,909
2017	121,882
2018	125,077
2019	127,000
2020	125,623
2021 - 2025	755,201
	$ 1,362,692

8. LONG-TERM DEBT

The Organization entered into a promissory note with a financial institution in May 2012 for a maximum amount of $399,500. Beginning January 2016, interest changed to 3.50% plus the U.S. Treasury 1-year rate for 59 consecutive principal and interest payments of $2,547. In May 2022, all unpaid principal and interest is due in one balloon payment. The Organization's outstanding balances as of August 31, 2016 and 2015 were $336,945 and $350,871, respectively.

The Organization entered into a mortgage agreement with a financial institution in 2010 for $1,600,000. In November 2015, the Organization amended the agreement, extending the maturity date to November 2025 and changing the interest rate to be a floating rate per annum equal to 1.95% in excess of LIBOR (London Interbank Offered Rate). The agreement contains a debt service coverage ratio covenant. The loan is collateralized by the property. The Organization's outstanding balances as of August 31, 2016 and 2015 were $1,310,690 and $1,357,294.

Future principal payments are as follows:

Year Ending August 31	Amount
2017	$ 58,897
2018	61,499
2019	64,217
2020	67,016
2021	70,017
Thereafter	1,325,989
	$ 1,647,635

9. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Program services	$ 15,300	$ 12,933
Endowment investment return pending board appropriation	18,854	(950)
	$ 34,154	$ 11,983

10. PERMANENTLY RESTRICTED NET ASSETS

Aladdin Temple Endowment – In September 1980, the Organization received $445,360 endowment under terms of an agreement with the Aladdin Shriners' Hospital Association for Children, Inc., which is a charitable not-for-profit corporation created and administered by the Officers and Board of Trustees of Aladdin Temple. Under terms of the agreement, the corpus of the fund may be invested but not used by the Organization. All interest and dividend income from the fund is available for the use of the Organization. However, the income is restricted to expenditures relating to the care and treatment of disabled children.

The endowment agreement also contains a reverter clause, which would cause the principal fund and undistributed earned income to revert, should the Organization cease to exist, fail to use income properly, or receive sufficient funds from any governmental agency to cover all costs of providing care.

The Organization has interpreted Ohio's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As such, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the entity in a manner consistent with the standard of prudence prescribed by UPMIFA.

The financial goal of the Organization's investment policies is to preserve and enhance investment value while supporting current income needs. The goal is to be achieved over time through the combination of prudent investment management in conjunction with an appropriate spending policy.

In order to meet its needs, the investment strategy of the Organization is to emphasize total return, the aggregate return from capital appreciation and dividend and interest income. The primary objective of the Organization shall be the long-term growth of capital while avoiding excessive risk.

Short-term volatility will be tolerated in as much as it is consistent with the volatility of the comparable market benchmarks.

10. PERMANENTLY RESTRICTED NET ASSETS (Continued)

The asset allocation philosophy is full investment as opposed to market timing. This specific allocation approach is chosen to preserve and enhance the real investment value of the endowment fund over time, minimize the overall portfolio's volatility, and to reflect expected long-term consideration such as liquidity probability, expected cash inflows, and risk tolerances.

The Organization's policy for spending from endowment funds is to reinvest earnings from the endowment funds unless it is needed for operating expenditures. The distribution of income remains at the discretion of the Board of Directors with the direction of the budget process.

In accordance with FASB guidance, absent donor stipulations, the earnings on permanently restricted endowment funds have been reclassified to temporarily restricted net assets until these amounts are appropriated for expenditure.

The Organization transferred a portion of the temporarily restricted funds out of the Aladdin investment account into recessionary reserves. At the time of the transfer, the permanently restricted portion of the endowment remained intact. However, due to market fluctuation, at August 31, 2015 the balance of the endowment fell below the principal amount by $950 but rebounded in fiscal year 2016.

The following represents the change in donor-restricted endowment funds by net asset type for the year ended August 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Beginning of year	$ -	$ (950)	$ 445,360	$ 444,410
Release of time restriction	-	48,684	-	48,684
Investment income	-	(28,880)	-	(28,880)
End of year	$ -	$ 18,854	$ 445,360	$ 464,214

The following represents the change in donor-restricted endowment funds by net asset type for the year ended August 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
Beginning of year	$ -	$ 120,220	$ 445,360	$ 565,580
Release of time restriction	-	(122,727)	-	(122,727)
Investment income	-	1,557	-	1,557
End of year	$ -	$ (950)	$ 445,360	$ 444,410

11. LEASES

The Organization leases certain facilities some of which are month to month lease agreements and office equipment under operating lease agreements, which expire at various dates through November 2021. The Organization paid $36,694 and $35,822 for the years ending August 31, 2016 and 2015, respectively, for rental and lease fees.

The following is a summary of equipment held under capital lease:

	2016	2015
Equipment	$ 185,365	$ 107,907
Accumulated depreciation	(63,698)	(41,947)
	$ 121,667	$ 65,960

Future minimum lease payments for the above-mentioned capital lease agreement are as follows:

Year Ending August 31	Amount
2017	$ 43,406
2018	32,828
2019	20,989
2020	17,428
2021	17,428
Thereafter	2,905
	134,984
Less: Amount representing interest	(17,011)
Present value of future minimum lease payments	$ 117,973

In August 2013, the Organization entered into a 5 year lease agreement for the Knox County office located at 110 East Vine Street, Mt. Vernon, Ohio. The terms of the lease calls for monthly payments of $1,800 for the first year, and increase 3% each year for the following 4 years.

Future lease payments for above mentioned lease agreement are as follows:

Year Ending August 31	Amount
2017	$ 23,604
2018	24,302
Thereafter	-
	$ 47,906

12. CONCENTRATIONS

The Organization maintains cash balances at three financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation (FDIC) up to $250,000. At August 31, 2016 and 2015, respectively, the Organization had $360,411 and $857,389 in deposits that were not insured.

13. DERIVATIVE FINANCIAL INSTRUMENT

At November 4, 2015, the Organization amended a promissory note of $1,346,294 of variable interest debt outstanding in order to extend the maturity date and change the interest rate to a floating rate per annum equal to 1.95% in excess of LIBOR (London Interbank Offered Rate). The interest rate is adjusted automatically on the fifteenth day of each calendar month.

The Organization simultaneously entered into an interest rate swap for a notional amount of $1,346,294 at a fixed rate of 4.15%.

The Organization is using the interest rate swap to manage the interest rate exposure of its variable rate debt. The swap is recorded at fair value, which is the estimated amount that the Organization would receive or pay to terminate the agreement, taking into account current interest rates and the current credit-worthiness of the swap counterparty. Costs of regular settlements with the counterpart of $19,021 during the year ended August 31, 2016 is included in interest expense in the statement of activities. Changes in the swap's fair value during the year ended August 31, 2016 resulted in unrealized loss of $96,388, which is included in unrestricted change in net assets in the statement of activities. The fair value of the swap was a liability of $96,388 as of August 31, 2016.