

# **Easter Seals, Inc. and Easter Seals Foundation**

Consolidated Financial Report  
December 31, 2016

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Easter Seals  
Chicago, Illinois

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation (collectively, Easter Seals) which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 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 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 reasonable 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 as of December 31, 2016 and 2015, and the changes in its net assets, its cash flows and its functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Chicago, Illinois  
April 27, 2017

**Easter Seals, Inc. and Easter Seals Foundation**

**Consolidated Statements of Financial Position  
December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 884,700	\$ 593,800
Investments	7,790,200	7,720,900
Accounts receivable from affiliates, less allowance for doubtful accounts of 2016 \$163,500; 2015 \$208,500	225,400	216,100
Government grants and contract receivable	2,928,900	3,758,800
Pledges receivable, net	1,026,500	3,570,600
Other accounts receivable, less allowance for doubtful accounts of 2016 \$73,700; 2015 \$80,000	902,000	753,600
Prepaid expenses	656,700	424,300
<b>Total current assets</b>	<b>14,414,400</b>	<b>17,038,100</b>
Long-term assets:		
Fixed assets, net	1,995,900	256,000
Investments for charitable gift annuities	1,647,100	1,698,600
Pledges receivable, net	4,494,500	4,488,600
Beneficial interest in trusts	2,162,600	2,364,000
Other assets	200,000	200,000
<b>Total long-term assets</b>	<b>10,500,100</b>	<b>9,007,200</b>
<b>Total assets</b>	<b>\$ 24,914,500</b>	<b>\$ 26,045,300</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,962,400	\$ 5,024,900
Accounts payable to affiliates	1,028,500	3,740,600
Capital lease obligation	42,600	77,000
Line of credit	4,653,400	4,496,500
<b>Total current liabilities</b>	<b>10,686,900</b>	<b>13,339,000</b>
Long-term liabilities:		
Accounts payable to affiliates	579,600	654,900
Charitable gift annuities	687,400	727,300
Deferred rent and other	3,292,100	1,596,900
Note payable	966,100	931,600
Pension liability	8,952,600	8,137,700
<b>Total long-term liabilities</b>	<b>14,477,800</b>	<b>12,048,400</b>
<b>Total liabilities</b>	<b>25,164,700</b>	<b>25,387,400</b>
Net assets (deficit):		
Unrestricted:		
Available for operations	5,693,000	4,272,900
Net actuarial pension loss	(14,669,700)	(13,946,500)
	<b>(8,976,700)</b>	<b>(9,673,600)</b>
Temporarily restricted	7,014,500	8,558,800
Permanently restricted	1,712,000	1,772,700
<b>Total net assets (deficit)</b>	<b>(250,200)</b>	<b>657,900</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 24,914,500</b>	<b>\$ 26,045,300</b>

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating				
Public support:				
Contributions	\$ 32,833,000	\$ 2,263,300	\$ -	\$ 35,096,300
Change in value of split interest agreements	(147,800)	-	(64,100)	(211,900)
Government grants	20,223,600	-	-	20,223,600
In-kind contributions	10,554,500	-	-	10,554,500
<b>Total public support</b>	<b>63,463,300</b>	<b>2,263,300</b>	<b>(64,100)</b>	<b>65,662,500</b>
Revenues:				
Membership fees from affiliates	3,540,300	-	-	3,540,300
Sales and services to affiliates	1,381,000	-	-	1,381,000
Government contract revenue	2,461,600	-	-	2,461,600
Investment returns	245,800	-	-	245,800
Net unrealized gain on perpetual trusts	-	-	3,400	3,400
Miscellaneous revenue	1,352,300	-	-	1,352,300
Net assets released from restrictions	3,807,600	(3,807,600)	-	-
<b>Total revenues</b>	<b>12,788,600</b>	<b>(3,807,600)</b>	<b>3,400</b>	<b>8,984,400</b>
<b>Total public support and revenues</b>	<b>76,251,900</b>	<b>(1,544,300)</b>	<b>(60,700)</b>	<b>74,646,900</b>
Expenses:				
Program services:				
Services for affiliates:				
Program development	21,856,200	-	-	21,856,200
Professional education and training	3,819,300	-	-	3,819,300
Fundraising advisory	4,752,600	-	-	4,752,600
Management advisory	2,059,400	-	-	2,059,400
<b>Total services for affiliates</b>	<b>32,487,500</b>	<b>-</b>	<b>-</b>	<b>32,487,500</b>
Public health education	17,918,800	-	-	17,918,800
Advocacy for persons with disabilities and research	5,861,400	-	-	5,861,400
<b>Total program services</b>	<b>56,267,700</b>	<b>-</b>	<b>-</b>	<b>56,267,700</b>
Supporting services:				
Fundraising	15,622,200	-	-	15,622,200
Management and general	2,941,900	-	-	2,941,900
<b>Total supporting services</b>	<b>18,564,100</b>	<b>-</b>	<b>-</b>	<b>18,564,100</b>
<b>Total operating expenses</b>	<b>74,831,800</b>	<b>-</b>	<b>-</b>	<b>74,831,800</b>
<b>Public support and revenues less operating expenses</b>	<b>1,420,100</b>	<b>(1,544,300)</b>	<b>(60,700)</b>	<b>(184,900)</b>

(Continued)

**Easter Seals, Inc. and Easter Seals Foundation**

**Consolidated Statement of Activities and Changes in Net Assets (Continued)**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating:				
Pension liability adjustments other than net periodic benefit cost	\$ (723,200)	\$ -	\$ -	\$ (723,200)
<b>Total nonoperating expenses</b>	<b>(723,200)</b>	<b>-</b>	<b>-</b>	<b>(723,200)</b>
<b>Change in net assets</b>	<b>696,900</b>	<b>(1,544,300)</b>	<b>(60,700)</b>	<b>(908,100)</b>
Net assets (deficit), beginning of year	(9,673,600)	8,558,800	1,772,700	657,900
Net assets (deficit), end of year	<u>\$ (8,976,700)</u>	<u>\$ 7,014,500</u>	<u>\$ 1,712,000</u>	<u>\$ (250,200)</u>

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating</b>				
Public support:				
Contributions	\$ 35,319,900	\$ 7,012,000	\$ -	\$ 42,331,900
Change in value of split interest agreements	(12,300)	-	500	(11,800)
Government grants	18,889,800	-	-	18,889,800
In-kind contributions	26,364,400	-	-	26,364,400
<b>Total public support</b>	<b>80,561,800</b>	<b>7,012,000</b>	<b>500</b>	<b>87,574,300</b>
Revenues:				
Membership fees from affiliates	3,418,100	-	-	3,418,100
Sales and services to affiliates	957,100	-	-	957,100
Government contract revenue	2,525,500	-	-	2,525,500
Investment returns	79,100	-	-	79,100
Net unrealized loss on perpetual trusts	-	-	(78,600)	(78,600)
Miscellaneous revenue	1,344,200	-	-	1,344,200
Net assets released from restrictions	6,784,300	(6,784,300)	-	-
<b>Total revenues</b>	<b>15,108,300</b>	<b>(6,784,300)</b>	<b>(78,600)</b>	<b>8,245,400</b>
<b>Total public support and revenues</b>	<b>95,670,100</b>	<b>227,700</b>	<b>(78,100)</b>	<b>95,819,700</b>
Expenses:				
Program services:				
Services for affiliates:				
Program development	22,753,400	-	-	22,753,400
Professional education and training	3,570,600	-	-	3,570,600
Fundraising advisory	6,093,800	-	-	6,093,800
Management advisory	2,071,900	-	-	2,071,900
<b>Total services for affiliates</b>	<b>34,489,700</b>	<b>-</b>	<b>-</b>	<b>34,489,700</b>
Public health education	27,457,100	-	-	27,457,100
Advocacy for persons with disabilities and research	14,454,800	-	-	14,454,800
<b>Total program services</b>	<b>76,401,600</b>	<b>-</b>	<b>-</b>	<b>76,401,600</b>
Supporting services:				
Fundraising	16,514,600	-	-	16,514,600
Management and general	2,574,500	-	-	2,574,500
<b>Total supporting services</b>	<b>19,089,100</b>	<b>-</b>	<b>-</b>	<b>19,089,100</b>
<b>Total operating expenses</b>	<b>95,490,700</b>	<b>-</b>	<b>-</b>	<b>95,490,700</b>
<b>Public support and revenues less operating expenses</b>	<b>179,400</b>	<b>227,700</b>	<b>(78,100)</b>	<b>329,000</b>

(Continued)



**Easter Seals, Inc. and Easter Seals Foundation**

**Consolidated Statement of Activities and Changes in Net Assets (Continued)**  
**Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating:				
Pension liability adjustments other than net periodic benefit cost	\$ (1,487,900)	\$ -	\$ -	\$ (1,487,900)
Lease termination penalty	(763,700)	-	-	(763,700)
<b>Total nonoperating expenses</b>	<b>(2,251,600)</b>	<b>-</b>	<b>-</b>	<b>(2,251,600)</b>
<b>Change in net assets</b>	<b>(2,072,200)</b>	<b>227,700</b>	<b>(78,100)</b>	<b>(1,922,600)</b>
Net assets (deficit), beginning of year	(7,601,400)	8,331,100	1,850,800	2,580,500
Net assets (deficit), end of year	<u>\$ (9,673,600)</u>	<u>\$ 8,558,800</u>	<u>\$ 1,772,700</u>	<u>\$ 657,900</u>

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2016

	Program Services											
	Affiliates					Headquarters						
	Program Development	Professional Education and Training	Fundraising Advisory	Management Advisory	Total Services for Affiliates	Public Health Education	Advocacy for Persons with Disabilities and Research	Total Headquarters' Programs	Total Program Services	Fundraising	Management and General	Total Expenses
Salaries and related expenses	\$ 2,933,500	\$ 1,245,100	\$ 1,087,600	\$ 1,251,100	\$ 6,517,300	\$ 914,300	\$ 347,400	\$ 1,261,700	\$ 7,779,000	\$ 2,202,400	\$ 1,659,500	\$ 11,640,900
Mail production and services	-	-	98,200	-	98,200	9,987,300	-	9,987,300	10,085,500	11,849,000	-	21,934,500
Grants and awards	15,074,600	10,800	2,593,000	100	17,678,500	3,400	4,400	7,800	17,686,300	-	7,600	17,693,900
Professional fees	2,714,000	2,148,300	441,100	377,300	5,680,700	1,332,100	70,900	1,403,000	7,083,700	861,000	613,600	8,558,300
Printing and media	65,900	15,100	247,300	2,200	330,500	5,285,400	5,336,000	10,621,400	10,951,900	140,400	12,500	11,104,800
Travel	116,500	88,100	20,500	73,900	299,000	33,400	1,900	35,300	334,300	90,500	27,100	451,900
Conferences and meetings	139,700	34,000	30,600	92,400	296,700	85,500	10,400	95,900	392,600	59,100	94,000	545,700
Occupancy	503,700	174,800	152,500	174,800	1,005,800	125,700	56,800	182,500	1,188,300	259,400	314,000	1,761,700
Telephone and communications	81,000	45,000	18,000	25,300	169,300	28,300	9,800	38,100	207,400	25,000	24,300	256,700
Office supplies	32,700	37,900	4,900	8,200	83,700	6,200	3,400	9,600	93,300	3,600	7,000	103,900
Postage and shipping	28,800	5,700	3,600	2,800	40,900	1,300	400	1,700	42,600	3,800	3,700	50,100
Repair and maintenance	24,300	6,100	3,400	2,100	35,900	10,700	6,300	17,000	52,900	-	6,000	58,900
Miscellaneous	100,200	900	26,200	37,900	165,200	72,700	3,300	76,000	241,200	106,300	147,400	494,900
Depreciation and amortization	41,300	7,500	25,700	11,300	85,800	32,500	10,400	42,900	128,700	21,700	25,200	175,600
Total expenses	\$ 21,856,200	\$ 3,819,300	\$ 4,752,600	\$ 2,059,400	\$ 32,487,500	\$ 17,918,800	\$ 5,861,400	\$ 23,780,200	\$ 56,267,700	\$ 15,622,200	\$ 2,941,900	\$ 74,831,800

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Functional Expenses  
Year Ended December 31, 2015

	Program Services											
	Affiliates					Headquarters						
	Program Development	Professional Education and Training	Fundraising Advisory	Management Advisory	Total Services for Affiliates	Public Health Education	Advocacy for Persons with Disabilities and Research	Total Headquarters' Programs	Total Program Services	Fundraising	Management and General	Total Expenses
Salaries and related expenses	\$ 3,254,600	\$ 1,267,700	\$ 1,445,300	\$ 1,344,200	\$ 7,311,800	\$ 335,600	\$ 709,500	\$ 1,045,100	\$ 8,356,900	\$ 2,701,000	\$ 1,651,300	\$ 12,709,200
Mail production and services	-	-	172,400	-	172,400	12,119,900	-	12,119,900	12,292,300	12,239,900	-	24,532,200
Grants and awards	15,406,700	31,200	2,885,000	-	18,322,900	6,400	1,300	7,700	18,330,600	1,200	7,500	18,339,300
Professional fees	2,812,900	1,753,000	831,800	302,200	5,699,900	1,718,600	207,200	1,925,800	7,625,700	847,600	457,400	8,930,700
Printing and media	128,200	14,100	370,800	3,600	516,700	13,115,600	13,325,600	26,441,200	26,957,900	115,900	22,400	27,096,200
Travel	209,000	74,600	49,000	73,000	405,600	23,500	33,200	56,700	462,300	39,100	28,100	529,500
Conferences and meetings	105,500	127,900	37,400	107,300	378,100	21,600	13,100	34,700	412,800	163,000	29,000	604,800
Occupancy	472,600	174,600	179,600	153,100	979,900	42,800	111,400	154,200	1,134,100	231,300	228,100	1,593,500
Telephone and communications	84,600	27,000	22,000	25,600	159,200	9,900	13,400	23,300	182,500	27,300	22,400	232,200
Office supplies	48,100	66,800	8,400	8,700	132,000	10,600	7,600	18,200	150,200	6,600	8,400	165,200
Postage and shipping	36,200	5,200	5,800	2,500	49,700	1,200	2,000	3,200	52,900	3,000	5,900	61,800
Repair and maintenance	27,800	6,800	4,600	3,000	42,200	12,200	7,200	19,400	61,600	300	6,600	68,500
Miscellaneous	110,300	3,100	33,600	24,700	171,700	3,200	9,700	12,900	184,600	100,900	83,200	368,700
Depreciation and amortization	56,900	18,600	48,100	24,000	147,600	36,000	13,600	49,600	197,200	37,500	24,200	258,900
Total expenses	\$ 22,753,400	\$ 3,570,600	\$ 6,093,800	\$ 2,071,900	\$ 34,489,700	\$ 27,457,100	\$ 14,454,800	\$ 41,911,900	\$ 76,401,600	\$ 16,514,600	\$ 2,574,500	\$ 95,490,700

See notes to consolidated financial statements.

**Easter Seals, Inc. and Easter Seals Foundation**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (908,100)	\$ (1,922,600)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	175,600	258,900
Net unrealized and realized gains on investments	(133,000)	(29,200)
Net unrealized (gains) losses on perpetual trusts	(3,400)	78,600
Change in value of split-interest agreements	213,200	(38,100)
Loss on disposal of property	11,400	3,300
Change in value of pension liability	1,803,900	2,106,500
Changes in assets and liabilities:		
Accounts receivable from affiliates	(9,300)	17,300
Government grants and contract receivable	829,900	(1,343,100)
Pledges receivable, net	2,538,100	(3,101,900)
Other accounts receivable	(171,200)	215,100
Prepaid expenses	(209,600)	(144,100)
Beneficial interests in trusts	81,500	139,800
Accounts payable and accrued liabilities	(62,500)	242,600
Accounts payable to affiliates	(2,787,400)	914,300
Charitable gift annuities	172,000	119,800
Deferred rent and other	259,200	938,100
Payments on pension liability	(989,000)	(1,287,900)
<b>Net cash provided by (used in) operating activities</b>	<b>811,300</b>	<b>(2,832,600)</b>
Cash flows from investing activities:		
Proceeds from sale of fixed assets	3,500	-
Purchases of fixed assets	(459,900)	(44,600)
Purchases of investments	(7,723,600)	(7,097,700)
Proceeds from maturity or sale of investments	7,838,800	7,782,200
<b>Net cash (used in) provided by investing activities</b>	<b>(341,200)</b>	<b>639,900</b>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	1,000,000
Net drawdowns on line of credit	156,900	1,482,500
Payments to annuitants	(301,700)	(139,700)
Payments on capital lease obligations	(34,400)	(39,600)
<b>Net cash (used in) provided by financing activities</b>	<b>(179,200)</b>	<b>2,303,200</b>
<b>Net change in cash and cash equivalents</b>	<b>290,900</b>	<b>110,500</b>
Cash and cash equivalents:		
Beginning of year	593,800	483,300
End of year	\$ 884,700	\$ 593,800
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 91,100	\$ 56,100
Supplemental schedule of noncash investing activities:		
Purchase of leasehold improvements from lease incentives	\$ 1,470,500	-

See notes to consolidated financial statements.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Nature of the organization:** Easter Seals, Inc. is the leading nonprofit provider of services for individuals with autism, developmental disabilities, physical and mental disabilities, and other special needs. For nearly a hundred years, Easter Seals, Inc. has been offering help and hope to children and adults living with disabilities and to their families. Easter Seals, Inc. is supported in part by Easter Seals Foundation (collectively referred to as Easter Seals), which raises funds to further Easter Seals, Inc.'s initiatives and programs.

Through therapy, training, education and support services, Easter Seals creates life-changing solutions so that people with disabilities can live, learn, work, and play in their communities.

Through its headquarters' office, 75 affiliates, and its global partners, Easter Seals provides services and support to individuals with disabilities and support to their families across the United States, Puerto Rico, Australia, Mexico, and Canada.

Easter Seals, Inc. and its affiliates are each separately incorporated and are tax exempt under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code (or similar tax treaties in other countries, as applicable), and are therefore exempt from taxation under current income tax laws. Easter Seals' financial statements do not include the accounts of these affiliates because they do not meet the criteria requiring consolidation. Each affiliate is a separately incorporated entity, has its own independent board of directors, conducts service programs independent of those of Easter Seals, Inc., and maintains its own separate accounts. Each of the affiliates pays an annual membership fee to Easter Seals, Inc.; membership agreements between Easter Seals, Inc. and the affiliates describe various obligations, terms, and conditions of Easter Seals, Inc. and its affiliates.

Easter Seals conducts a comprehensive national direct-response fundraising and public education campaign (National Campaign) in accordance with Easter Seals' charitable goals and objectives outlined in its by-laws. Easter Seals does not serve as an agent for its affiliates in conducting the National Campaign, but rather raises funds for Easter Seals in cooperation with its affiliates. The National Campaign and the funds raised in the National Campaign are managed and distributed in accordance with the policies and procedural guidelines agreed to by Easter Seals and its affiliates.

Easter Seals, Inc. and Easter Seals Foundation have incurred operating losses of approximately \$847,400 and \$1,922,600 for the years ended December 31, 2016 and 2015, respectively. While the losses are impacted by the pension liability adjustments other than net periodic benefit cost, they are also a result of lack of unrestricted revenue growth (not including in-kind media donations). Management implemented a cost savings program in October 2016 which will reduce salaries, benefits and other discretionary spending in 2017 and beyond.

#### Summary of Significant Accounting Policies

**Accounting policies:** Easter Seals follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial position, results of activities, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

**Basis of consolidation:** The accompanying consolidated financial statements include the consolidated accounts of Easter Seals, Inc. and Easter Seals Foundation. Easter Seals, Inc. has a controlling financial interest and an economic interest in Easter Seals Foundation and, therefore, presents consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Cash and cash equivalents:** Cash and cash equivalents include highly liquid short-term investments with maturities of 90 days or less from the date of purchase with the exception of cash held for reinvestment, which is included in investments. Easter Seals maintains its cash balance in financial institutions, which at times may exceed federally insured limits. Easter Seals has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Investments:** Investments in marketable securities are recorded at fair value based on quoted market prices. Changes in fair value are recorded as unrealized gains (losses) and are included in investment return. Investments are exposed to various risks such as interest rate, market, and credit risks. It is at least reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

**Accounts receivable from affiliates:** Affiliate receivables are carried at original invoice amount less an estimate for doubtful receivables (allowance) based on a monthly review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and considering historical experience. Affiliate receivables are written off when deemed uncollectible. Recoveries of affiliate receivables previously written off are recorded when received.

As required by the by-laws, any unpaid affiliate receivable balance, which became due and payable within any fiscal year, shall be paid by January 31 of the following fiscal year, unless Easter Seals approved an arrangement for payment at a later date. Non-payment of a past due account may result in a reclassification of the affiliate's membership status.

**Fixed assets:** Furniture, fixtures, computer equipment, software, and leasehold improvements are stated at cost. Contributions of long-lived assets are recorded at the estimated fair market value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. If donors contribute long-lived assets with stipulations as to how long the asset must be used or with any other restrictions, such contributions are reported as temporarily restricted support. Certain computer equipment is leased under capital leases for three to five years, which requires Easter Seals to pay all maintenance costs. Expenditures for maintenance and repairs are expensed as incurred and expenditures for major renovations are capitalized.

Easter Seals regularly evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, Easter Seals uses an estimate of the undiscounted cash flows over the remaining life of the assets in measuring whether the assets are recoverable. In the opinion of management, no impairment adjustments were required at December 31, 2016 or 2015.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets. Leased assets' amortization is included in depreciation expense. The estimated useful lives are:

Leasehold improvements	Life of Lease
Furniture and fixtures	5 - 11 years
Computer equipment and software	3 - 5 years

**Other assets:** Easter Seals' domain name is considered an intangible asset with an indefinite life. Easter Seals reviews the intangible asset for impairment on or about December 31 of each year. Recoverability for this asset is measured by comparing its carrying amount to the fair value. If the intangible is considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value. Easter Seals did not record any impairment charges during 2016 or 2015.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Pledges receivable:** Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. Pledges receivable have been discounted using rates that approximate the risk associated with the ultimate collection of the receivable. The discount is amortized using an effective yield over the expected collection period of the receivable.

**Beneficial interest in trusts:** Easter Seals has been designated as the beneficiary of assets held in charitable lead and remainder trusts administered by other trustees. Easter Seals recognizes temporarily or permanently restricted contribution revenue and an asset for the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to Easter Seals are recognized in the statement of activities as a change in value of split interest agreements.

Easter Seals has also been designated as the beneficiary of perpetual irrevocable trusts which are administered by other trustees. Under the terms of the trusts, Easter Seals has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. Easter Seals does not control the assets held by the outside trusts. The fair value of the beneficial interest in the trusts is recognized as an asset and as a permanently restricted contribution at the date the trust is established. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as net unrealized gains on perpetual trusts. Annual distributions from the trust are reported as investment returns in the statement of activities.

**Charitable gift annuities:** Annuity agreements are issued in exchange for a payment that constitutes part charitable contribution and part purchase of an annuity, providing for payments to the stated annuitants during their lifetimes. These agreements constitute a general obligation of Easter Seals. The gift portion of annuities and investment reserves in excess of liabilities are reported as a contribution in unrestricted net assets. Sufficient assets are maintained to meet the annuity requirements stipulated by the various state laws. Easter Seals is required to hold reserves related to the gift annuity program based on the laws in certain states in which Easter Seals solicits these gifts.

**Net assets:** The net assets of Easter Seals are reported as unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets are composed of all resources not included in restricted net assets, such as expendable resources used to support Easter Seals' core activities. All expenses are recorded as a reduction of unrestricted net assets.

Temporarily restricted net assets carry restrictions that expire upon passage of a prescribed period or upon the occurrence of a stated event as specified by the donor, at which time they are reclassified to unrestricted net assets and reported as net assets released from restrictions. Included in temporarily restricted net assets are gifts held by Easter Seals pending their use in accordance with donor stipulations and unexpended gifts from pledges and living trust agreements where the principal is expendable upon redemption or maturity. Contributions received with donor-imposed restrictions that are met in the same reporting period are reflected as an addition and reduction to temporarily restricted net assets.

Permanently restricted net assets are subject to donor-imposed restrictions that the principal be invested in perpetuity.

**Contributions:** Contributions are recognized when an unconditional promise to give is made (pledge receivable) or when cash is received, if an unconditional promise does not exist. Contributions include bequests, which are recorded at their estimated fair value when Easter Seals has received an unconditional promise to give. Easter Seals considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Government grants and contract revenue:** Government grant and contract revenue is recognized when earned, which is generally when qualifying expenses have been incurred and all other grant requirements have been met. Easter Seals receives a substantial amount of its operating support from the federal government. Any significant reduction in the level of this support could have an effect on Easter Seals' programs.

**In-kind contributions:** Easter Seals records, as in-kind contributions, contributions of fundraising material, informational material, or advertising, including media time or space for public service announcements or other purposes, that are used for Easter Seals' benefit and that encourage the public to contribute to Easter Seals or help Easter Seals communicate its message or mission. Easter Seals will not record a contribution in circumstances in which Easter Seals is unable to have an active involvement in determining and managing the message and the use of the materials. In-kind contributions in 2016 and 2015 primarily relate to public service announcements for the Dixon Center Veteran Services and Make the First Five Count. These contributions are recorded at fair value, which is based on the number of airings and average market media prices obtained from the nation's largest media buying sources. The in-kind contributions are offset by like amounts included in public health education and advocacy for persons with disabilities and research expense in the statement of activities and changes in net assets, as well as in printing and media expense in the statement of functional expenses.

**Membership fees from affiliates:** Membership fees are recognized in the month for which the membership applies, and affiliates are invoiced at the beginning of each month. Monthly fees per affiliate include a base fee plus supplementary fees for major markets included in that affiliate's assigned territory. Major markets are defined as the most populous counties in the nation as determined by the U.S. Census Bureau Population Estimates Program.

**Sales and services to affiliates:** Sales and services to affiliates are recognized when the related services are provided. Sales and services may include registration fees for events, website management fees, planned giving management, and various fees for Easter Seals articles.

**Operating expenses:** Operating expenses are presented in the statement of activities on a functional basis, classified according to the significant program activity related to the purpose for which Easter Seals exists or supporting service. Where expenses affect more than one area, they are allocated to the respective areas based on estimates made by management.

The significant activities are:

**Program Development:** Funds, leadership, and assistance to provide services for children and adults with autism and other disabilities. Primary services are medical rehabilitation, job training and employment, inclusive child care, adult day services, and camping and recreation. Building from Easter Seals' expertise, Easter Seals is focusing on four service areas of critical importance: young children, older adults, people living with autism, and military service members and veterans.

**Professional Education and Training:** Activities to improve the knowledge, skills, and critical judgment of affiliate staff, volunteers, caregivers, and other health and education professionals.

**Fundraising Advisory:** Training and consultation with Easter Seals' affiliates to strengthen their relationships with donors and make the general public aware of the needs of children and adults with disabilities and their families.

**Management Advisory:** Managing Easter Seals' brand and membership standards with affiliates; consulting on general management issues, including Easter Seals' best practices for service delivery, board development, and doing business as a nonprofit: finance and accounting, budgeting, strategic planning, and personnel selection.



## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Public Health Education:** Creating a public awareness about individuals living with disabilities and the issues they face through multi-media public education campaigns, community advocacy, and by providing up-to-date resources about disabilities, disability awareness, opportunities, universal design, and other relevant topics. The primary focus is on young children, older adults, people living with autism, and military service members and veterans with disabilities.

**Advocacy for Persons with Disabilities and Research:** Activities to assure equal access and opportunities for people with disabilities, and awards, grants, and/or activities to support studies or investigations in the physical and social sciences that seek new evidence-based knowledge to benefit children and adults with disabilities, their families, and the personnel that serve them.

**Grants and awards:** Grants and awards to affiliates for program development purposes are recognized as expense once a grant or award has been made. Grants and awards, which are payable beyond one year, are reported at the present value of their estimated future cash flows and have been discounted using a rate, which is commensurate with the risks involved with the ultimate payment of these obligations at the time the obligation is incurred. The discount is amortized using an effective yield over the expected life of the awards and grants contracts and is reflected as program service expense.

**Income taxes:** Easter Seals, Inc. and Easter Seals Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Easter Seals, Inc. and Easter Seals Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Easter Seals, Inc. and Easter Seals Foundation and various positions related to the potential sources of unrelated business taxable income (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in these financial statements.

Easter Seals, Inc. and Easter Seals Foundation file Form 990 in the U.S. federal jurisdiction and the State of Illinois. Easter Seals, Inc. and Easter Seals Foundation are generally no longer subject to examination by the Internal Revenue Service for years before 2013.

**Use of estimates:** The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results may differ from those estimates.

**Pending accounting pronouncements:** In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for Easter Seals beginning in 2019.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 850): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also limits certain disclosures to investments for which the entity has elected to measure the fair value using the practical expedient. This ASU will be effective for the Easter Seals beginning in 2017. As ASU 2015-07 only amends and eliminates certain disclosures, Easter Seals does not anticipate its adoption will have a material impact on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP. The updated standard is effective for the Easter Seals in 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for Easter Seals in 2020, and early adoption is allowed.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Easter Seals in 2018, and early adoption is allowed.

In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This standard requires that an employer disaggregate service cost component from other components of net benefit costs. The new standard is effective for Easter Seals in 2019 and early adoption is allowed.

Easter Seals is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

**Subsequent events:** Easter Seals has evaluated subsequent events for potential recognition and/or disclosure through April 27, 2017, the date the consolidated financial statements were available to be issued.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

#### Note 2. Pledges Receivable

Donors' promises to give to Easter Seals, net of a discount to present value (ranging from 1 percent to 1.57 percent) are due to be collected as follows:

	2016	2015
Gross amounts due in:		
One year	\$ 1,026,500	\$ 3,570,600
One to five years	4,651,600	4,647,500
Subtotal	5,678,100	8,218,100
Less discount to present value	157,100	158,900
Total	<u>\$ 5,521,000</u>	<u>\$ 8,059,200</u>

The discount will be recognized as contribution revenue through 2019 as the discount is amortized using an effective yield over the duration of each pledge.

#### Note 3. Beneficial Interest in Trusts

Easter Seals' beneficial interest in charitable lead trusts is summarized as follows:

	Discount Rate	Annual Distribution	Remaining years	Fair value 2016	Fair value 2015
2006 Charitable Lead trust	0.00%	\$ 75,000	0	\$ -	\$ 75,000
2010 Charitable Lead trust	2.18%	4,200	4	13,800	17,200
2011 Charitable Lead trust	3.04%	2,300	17	27,900	36,200
				<u>\$ 41,700</u>	<u>\$ 128,400</u>

Easter Seals' beneficial interest in charitable remainder trusts are summarized as follows:

	Discount Rate	Principal Amount	Remaining years	Fair value 2016	Fair value 2015
1998 Charitable remainder trust	3.13%	\$ 232,200	20	\$ 122,600	\$ 122,900
1999 Charitable remainder trust	3.04%	1,000,000	17	601,300	665,400
2009 Charitable remainder trust	3.04%	379,600	17	82,400	97,300
2011 Charitable remainder trust	3.04%	295,500	17	175,200	234,500
2011 Charitable remainder trust	1.90%	30,700	2	22,000	17,800
2011 Charitable remainder trust	1.90%	78,500	2	26,700	10,400
				<u>\$ 1,030,200</u>	<u>\$ 1,148,300</u>

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 3. Beneficial Interest in Trusts (Continued)

Easter Seals' beneficial interest in perpetual trusts is summarized as follows:

	Principal Amount	Easter Seals interest	Fair value 2016	Fair value 2015
2011 Perpetual Trust	\$ 709,300	100%	\$ 709,300	\$ 703,400
2011 Perpetual Trust	2,985,300	10%	298,500	302,900
2011 Perpetual Trust	903,300	6.25%	56,500	55,600
2012 Perpetual Trust	527,900	5%	26,400	25,400
			<u>\$ 1,090,700</u>	<u>\$ 1,087,300</u>

Contribution revenue recognized in the consolidated statements of activities related to the above beneficial interest in trusts was \$0 for the years ended December 31, 2016 and 2015.

#### Note 4. Fixed Assets

Fixed assets are summarized by major classification, net of accumulated depreciation and amortization, as follows:

	2016	2015
Leasehold improvements	\$ 1,165,600	\$ 50,000
Furniture and fixtures	442,700	351,500
Computers, equipment and software	717,200	1,038,300
Software in progress	181,200	-
	<u>2,506,700</u>	<u>1,439,800</u>
Accumulated depreciation and amortization	(510,800)	(1,183,800)
Total fixed assets and intangible asset	<u>\$ 1,995,900</u>	<u>\$ 256,000</u>

Software amortization expense for the years ended December 31, 2016 and 2015 was \$38,400 and \$74,700, respectively. Total accumulated software amortization expense for the years ended December 31, 2016 and 2015, was approximately \$148,400 and \$203,300, respectively.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 5. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Level 1: Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Easter Seals assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2016 and 2015, there were no such transfers.

For the years ended December 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis:

#### *Investment Securities*

The fair value of publicly traded mutual funds is based upon market quotations of national security exchanges.

#### *Certificates of Deposit*

Certificates of deposit are recorded at cost and accrued interest which approximates fair value.

#### *Beneficial Interest in Trusts*

Nonperpetual trusts are recorded at their estimated fair value based on the present value of the estimated future cash receipts from the trust. Future cash receipts are based on an income approach using internally developed models. Assumptions are made regarding the expected rate of return on investments in the trust, the discount rate, and the expected mortality of the individual(s) if the termination of the agreement is dependent on life expectancy. An expected rate of return on the investments in the trusts is estimated using historical investment returns. The expected mortality is estimated using the Center for Disease Control life tables. Each of these calculations is based on the fair value of the underlying assets of the trust. As the fair value of these trusts is derived from internal estimates of the present value of Easter Seals' interest in the underlying assets, the amounts ultimately received could differ from the amounts reflected in the historical financial statements.

Perpetual trusts are recorded at fair value based on Easter Seals' interest in the fair value of the underlying trust assets.

**Easter Seals, Inc. and Easter Seals Foundation**

**Notes to Consolidated Financial Statements**

**Note 5. Fair Value Disclosures (Continued)**

The following tables present Easter Seals' fair value hierarchy for the investments as of December 31, 2016 and 2015:

	2016			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market Funds	\$ 1,453,800	\$ 1,453,800	\$ -	\$ -
Equity Securities:				
U.S. Large Cap Growth - Mutual Funds	479,500	479,500	-	-
U.S. Small & Mid Cap - Mutual Funds	301,500	301,500	-	-
International Mutual Funds	498,800	498,800	-	-
Total Equity Securities	1,279,800	1,279,800	-	-
Fixed Income Securities:				
Government Bonds	170,400	170,400	-	-
U.S. Corporate Bond Mutual Funds	943,200	943,200	-	-
Total Fixed Income Securities	1,113,600	1,113,600	-	-
Total Investments at Fair Value	3,847,200	\$ 3,847,200	\$ -	\$ -
Certificates of Deposit	5,590,000			
Total Investments	\$ 9,437,200			
Beneficial Interest in Trusts	\$ 2,162,600	\$ -	\$ -	\$ 2,162,600

**Easter Seals, Inc. and Easter Seals Foundation**

**Notes to Consolidated Financial Statements**

**Note 5. Fair Value Disclosures (Continued)**

	2015			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market Funds	\$ 7,003,900	\$ 7,003,900	\$ -	\$ -
Equity Securities:				
U.S. Large Cap Growth - Mutual Funds	1,500	1,500	-	-
U.S. Small & Mid Cap - Mutual Funds	856,500	856,500	-	-
International Mutual Funds	472,100	472,100	-	-
Total Equity Securities	1,330,100	1,330,100	-	-
Fixed Income Securities:				
Government Bonds	197,900	197,900	-	-
U.S. Corporate Bond Mutual Funds	887,600	887,600	-	-
Total Fixed Income Securities	1,085,500	1,085,500	-	-
Total Investments	\$ 9,419,500	\$ 9,419,500	\$ -	\$ -
Beneficial Interest in Trusts	\$ 2,364,000	\$ -	\$ -	\$ 2,364,000

Easter Seals maintains a portion of its investment portfolio in a separate account as a reserve for its charitable gift annuities. This reserve totaled \$1,647,100 and \$1,698,600 at December 31, 2016 and 2015, respectively.

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	2016	2015
	Beneficial Interest in Trusts	Beneficial Interest in Trusts
Balance, beginning of year	\$ 2,364,000	\$ 2,564,300
Annual distributions from charitable lead trust	(80,600)	(140,200)
Change in value of trusts	(120,800)	(60,100)
Balance, end of year	\$ 2,162,600	\$ 2,364,000

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 6. Investment Returns and Net Unrealized Gains (Losses) on Perpetual Trusts

Investment returns recorded in the statements of activities and changes in net assets are as follows:

	2016	2015
Interest and dividends	\$ 46,100	\$ 123,500
Perpetual trust interest and dividends	66,700	47,800
Realized gain	90,500	219,000
Unrealized gain (loss)	42,500	(311,200)
Perpetual trust unrealized gain (loss)	3,400	(78,600)
	<u>\$ 249,200</u>	<u>\$ 500</u>

Investment advisory fees paid by Easter Seals were \$4,000 and \$4,900 for 2016 and 2015, respectively.

#### Note 7. Debt

Easter Seals has an available \$6,500,000 bank line of credit. Borrowings outstanding under the line are due on demand and are collateralized by certain unrestricted investments. Easter Seals had \$4,653,400 and \$4,496,500 outstanding under this line of credit as of December 31, 2016 and 2015, respectively. The interest rate is LIBOR plus 1.5 percent. The weighted average interest rate on the line of credit was 1.9 percent and 1.83 percent for 2016 and 2015, respectively. Under the terms of this bank debt, Easter Seals is subject to various covenants including the requirement to maintain a ratio of eligible investments compared to debt. Easter Seals was in violation of one of the covenants, solvency, as of December 31, 2016, and is operating under a forbearance agreement with the bank. The line of credit expires on July 5, 2017. Easter Seals plans to negotiate a renewal of the line with the bank.

Easter Seals entered into a \$2,000,000 program-related loan agreement in December 2015 with a charitable foundation at a below market interest rate of 1.50 percent. The loan is collateralized by the accounts receivable and list income revenue of Easter Seals, and is subordinated to the \$6,500,000 line of credit. The drawn portion of the loan agreement was \$1,000,000 and is documented by a non-revolving line of credit promissory note, which has a due date of December 31, 2017 for both principal and unpaid interest. The imputed below-market portion of this loan was calculated at \$68,400 and recorded as contribution revenue in 2015. The loan balance of \$966,100 and \$931,600 at December 31, 2016 and 2015, respectively, was classified as long-term debt. Accretion of the loan balance is recorded as interest expense.



## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 8. Affiliates

Easter Seals requires each affiliate to submit its annual audited financial statements, its annual return of organization exempt from income tax (Form 990, filed with the Internal Revenue Service), and an Easter Seals data template, by certain dates during each year. Easter Seals headquarters reviews the audited statements and agrees the information to the template to ensure accuracy. The information is then aggregated and included in Easter Seals' non-audited annual report. This unaudited information, summarized for the most recent annual reporting periods (2015), is as follows:

	2015	2014
Total assets	\$ 1,635,704,700	\$ 1,497,635,400
Total liabilities	489,674,600	513,842,000
Total net assets	1,146,030,100	983,793,400
Total revenues	2,055,555,300	1,981,062,000
Total expenses and other changes in net assets	1,888,421,800	1,912,017,700

The nature of Easter Seals' relationship with its affiliates, as described in the membership agreements, does not require consolidation under accounting principles generally accepted in the United States of America.

As participants in the Easter Seals organization, affiliates paid membership fees of \$3,540,300 and \$3,418,100 for 2016 and 2015, respectively. Accounts receivable balances from affiliates, after allowances for uncollectible accounts, at December 31, 2016 and 2015, were \$225,400 and \$216,100, respectively. These amounts are classified in current assets based on timing of expected payments.

The aggregate amount of program awards and grants for which Easter Seals is obligated to its affiliates as of December 31, 2016 and 2015 are \$1,608,100 and \$4,397,100, respectively. The present value as of December 31, 2015 is \$4,395,500 using a discount rate of 0.8 percent. There was no discount take in 2016. As of December 31, 2016 and 2015, the program awards and grants are payable as follows:

	2016	2015
Gross amounts due in:		
One year	\$ 1,028,500	\$ 3,740,600
One to five years	-	67,000
Thereafter	579,600	589,500
Subtotal	1,608,100	4,397,100
Less discount and allowance to present value	-	1,600
Total	<u>\$ 1,608,100</u>	<u>\$ 4,395,500</u>

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 9. Allocation of Joint Information Costs

For the years ended December 31, 2016 and 2015, Easter Seals incurred joint program services costs of \$21,800,400 and \$24,119,800, respectively, for informational materials that included fundraising appeals. For 2016 and 2015, Easter Seals allocated \$9,986,000 and \$11,585,400, respectively, to public health education and \$11,814,400 and \$12,534,400, respectively, to fundraising.

#### Note 10. Pension Plan

Easter Seals has a defined benefit pension plan covering active and inactive employees. Benefits are based on years of service and the employee's average compensation. Easter Seals' funding policy has been to contribute annually an amount equal to at least the minimum amount required under the applicable employment retirement regulations. The plan was last amended effective April 30, 2012, freezing eligibility, compensation, and benefit accruals.

The following tables set forth the accumulated benefit obligation, projected benefit obligation, and the change in the plan assets of the defined pension plan with measurement dates of December 31, 2016 and 2015. The tables also reflect the funded status of the plans, as well as recognized and unrecognized amounts in the statements of financial position.

	2016	2015
Accumulated benefit obligation	\$ 30,204,500	\$ 29,357,200
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 29,357,200	\$ 29,328,600
Interest cost	1,329,600	1,224,100
Actuarial loss	1,185,500	261,500
Benefits paid	(1,667,800)	(1,457,000)
Projected benefit obligation at end of year	30,204,500	29,357,200
Change in plan assets:		
Fair value of plan assets at beginning of year	21,219,500	22,009,500
Actual return on plan assets	711,200	(620,900)
Employer contributions	989,000	1,287,900
Benefits paid	(1,667,800)	(1,457,000)
Fair value of plan assets at end of year	21,251,900	21,219,500
Reconciliation of funded status:		
Funded status	(8,952,600)	(8,137,700)
Net amount recognized	\$ (8,952,600)	\$ (8,137,700)
Amounts recognized in statement of financial position consist of:		
Noncurrent liabilities	\$ (8,952,600)	\$ (8,137,700)

Included in unrestricted net assets at December 31, 2016 and 2015, are unrecognized actuarial losses of \$14,669,700 and \$13,946,500, respectively, that have not been recognized in the net periodic pension cost.

The estimated net actuarial loss for this defined benefit pension plan that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year is \$1,295,800.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 10. Pension Plan (Continued)

Changes in plan assets and benefit obligations recognized in unrestricted net assets during the reporting period include:

	2016	2015
Current year actuarial loss	\$ 1,933,200	\$ 2,519,900
Amortization of net loss	(1,210,000)	(1,032,000)
	<u>\$ 723,200</u>	<u>\$ 1,487,900</u>
Components of net periodic benefit cost:		
Interest cost	\$ 1,329,600	\$ 1,224,100
Expected return on plan assets	(1,458,800)	(1,637,500)
Amortization of actuarial loss	1,210,000	1,032,000
Net periodic benefit cost	<u>\$ 1,080,800</u>	<u>\$ 618,600</u>

The weighted-average assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

Weighted-average discount rate	4.41%	4.66%
Weighted-average rate of compensation increase	N/A	N/A

The weighted-average assumptions used in determining the net periodic benefit cost were as follows:

Weighted-average discount rate	4.66%	4.29%
Weighted-average rate of compensation increase	N/A	N/A
Weighted-average expected long-term rate of return on plan assets	7.00%	7.00%

Easter Seals determines the long-term expected rate of return on plan assets by examining historical capital market returns, correlations between asset classes, and the plan's normal asset allocation. Current and near-term market factors, such as inflation and interest rates, are then evaluated to arrive at the expected return on plan assets. Peer group or benchmarking data are also reviewed to ensure reasonable and appropriate assumptions.

#### *Plan Assets*

Easter Seals participates in a pooled pension plan sponsored by Easter Seals and its various affiliates throughout the country. All plan assets are held in a Master Trust, which holds the assets of all retirement plans sponsored by the various organizations. Easter Seals' percentage interest in the assets of the Master Trust was approximately 60 percent as of December 31, 2016 and 2015.

The valuation methodologies used for the plan assets are described in Note 5.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

#### Note 10. Pension Plan (Continued)

Fair value measurements at December 31, 2016 and 2015 were as follows:

	2016			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market Funds	\$ 1,088,200	\$ 1,088,200	\$ -	\$ -
Equity Securities:				
U.S. Large Cap Growth - Mutual Funds	5,870,300	5,870,300	-	-
U.S. Small & Mid Cap - Mutual Funds	2,402,200	2,402,200	-	-
International Mutual Funds	7,564,700	7,564,700	-	-
Total Equity Securities	15,837,200	15,837,200	-	-
Fixed Income Securities:				
U.S. Corporate Bond Mutual Funds	17,952,600	17,952,600	-	-
International Bond Mutual Funds	438,800	438,800	-	-
Total Fixed Income Securities	18,391,400	18,391,400	-	-
Total	\$ 35,316,800	\$ 35,316,800	\$ -	\$ -
Easter Seals' portion of the above investments	\$ 21,251,900	\$ -	\$ 21,251,900	\$ -
	2015			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market Funds	\$ 1,214,100	\$ 1,214,100	\$ -	\$ -
Equity Securities:				
U.S. Large Cap Growth - Mutual Funds	5,457,000	5,457,000	-	-
U.S. Small & Mid Cap - Mutual Funds	2,282,700	2,282,700	-	-
International Mutual Funds	7,174,200	7,174,200	-	-
Total Equity Securities	14,913,900	14,913,900	-	-
Fixed Income Securities:				
U.S. Corporate Bond Mutual Funds	18,618,100	18,618,100	-	-
International Bond Mutual Funds	291,700	291,700	-	-
Total Fixed Income Securities	18,909,800	18,909,800	-	-
Total	\$ 35,037,800	\$ 35,037,800	\$ -	\$ -
Easter Seals' portion of the above investments	\$ 21,219,500	\$ -	\$ 21,219,500	\$ -

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 10. Pension Plan (Continued)

Easter Seals employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income. Equity investments are diversified across the U.S. and non-U.S. corporate stocks, as well as growth, value, and small and large capitalizations. Fixed income securities include corporate bonds of companies from diversified industries and U.S. Treasuries. Other types of investments include investments in institutional funds that follow several different strategies. Easter Seals' external investment managers may use derivatives to gain market exposure in an efficient and timely manner. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

#### Contributions

Easter Seals made contributions to the pension plan of \$989,000 and \$1,287,900 during the years ended December 31, 2016 and 2015, respectively. Easter Seals plans on contributing \$1,019,300 to the plan in 2017.

#### Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

Year Ending December 31:

2017	\$	1,694,700
2018		1,721,600
2019		1,737,000
2020		1,736,300
2021		1,830,900
2022-2026		9,526,600

#### Note 11. Restricted Net Assets

Temporarily restricted net assets (including unexpended earnings from permanently restricted net assets) at December 31, 2016 and 2015, have been restricted by donors as follows:

	2016	2015
	Temporarily Restricted	Temporarily Restricted
Program restrictions		
Advocacy	\$ 93,000	\$ 142,300
Brand management	-	849,500
Geographic location	274,100	517,000
Education	-	327,500
Services for young children	165,000	313,200
Services for people with autism	200	200
Services for veterans	3,644,500	3,933,900
Time restriction	2,837,700	2,475,200
Totals	<u>\$ 7,014,500</u>	<u>\$ 8,558,800</u>

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 11. Restricted Net Assets (Continued)

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes specified by donors or time restrictions met for the years ended December 31, 2016 and 2015, as follows:

	2016	2015
Program restrictions		
Advocacy	\$ 138,900	\$ 495,200
Brand management	873,300	1,038,500
Geographic location	595,900	519,700
Education	327,500	363,100
Services for young children	248,200	79,900
Services for veterans	1,330,800	2,957,200
Time restriction	293,000	1,330,700
Totals	<u>\$ 3,807,600</u>	<u>\$ 6,784,300</u>

Permanently restricted net assets consists of beneficial interest in perpetual trusts, a charitable remainder trust receivable and a donation to be held in perpetuity. Easter Seals does not consider its beneficial interest in perpetual trusts to be part of its endowment since it has no control over the assets included in the perpetual trusts. Easter Seals' endowment consists of the donation to be held in perpetuity of \$20,000. The income generated from the fund is not donor restricted.

#### Note 12. Leases

Easter Seals signed a 12-year lease agreement with Chicago BT Property, LLC in November 2015. As an incentive for the new office space, Chicago BT Property paid \$582,450 of the 233 S. Wacker lease termination penalty on behalf of Easter Seals, and paid the remaining \$582,450 by December 2016. The lease also provides Easter Seals with a \$1,470,500 tenant improvement allowance.

Base rent is recognized on a straight-line basis and rental expense for operating leases in Chicago amounted to \$495,800 and \$481,100 for the years ended December 31, 2016 and 2015, respectively.

Easter Seals has an operating lease for office space in Washington, D.C. which provides for annual base rent plus a pro rata share of real estate taxes and other operating expense as defined in the lease. An amendment to this lease started May 2016 which provided 11 months of rent abatement. Rent expense is recognized on a straight-line basis over the life of the lease and was \$577,100 and \$550,800 for the years ended December 31, 2016 and 2015, respectively. This lease has been extended until June 2028.

Certain equipment is leased under agreements expiring in various years through 2018 and are recorded herein as capital leases.

## Easter Seals, Inc. and Easter Seals Foundation

### Notes to Consolidated Financial Statements

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#### Note 12. Leases (Continued)

Future minimum lease payments are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending December 31:		
2017	\$ 34,300	\$ 1,051,000
2018	8,800	1,214,400
2019	-	1,241,500
2020	-	1,269,300
2021	-	1,297,700
2022-2028	-	9,567,100
Total minimum lease payments	<u>43,100</u>	<u>\$ 15,641,000</u>
Less amounts representing interest	500	
Present value of net minimum lease payments	<u>\$ 42,600</u>	

#### Note 13. Contingencies

Easter Seals is occasionally party to lawsuits and claims arising out of the conduct of its business. Easter Seals' management is of the opinion that the outcome of these matters will not have a material effect on the financial statements.

**Independent Auditor's Report  
on the Supplementary Information**

To the Board of Directors  
Easter Seals  
Chicago, Illinois

We have audited the consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation (collectively, Easter Seals) as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon, dated April 27, 2017, which contained an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and change in net assets of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Chicago, Illinois  
April 27, 2017



Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Financial Position  
December 31, 2016

	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 884,700	\$ -	\$ -	\$ 884,700
Investments	7,790,200	-	-	7,790,200
Accounts receivable from affiliates, net	225,400	-	-	225,400
Government grants and contract receivable	2,928,900	-	-	2,928,900
Pledges receivable, net	250,000	776,500	-	1,026,500
Other accounts receivable, net	902,000	-	-	902,000
Prepaid expenses	656,700	-	-	656,700
Contributions receivable from the Foundation	776,500	-	(776,500)	-
<b>Total current assets</b>	<b>14,414,400</b>	<b>776,500</b>	<b>(776,500)</b>	<b>14,414,400</b>
Long-term assets:				
Fixed assets, net	1,995,900	-	-	1,995,900
Investments for charitable gift annuities	1,647,100	-	-	1,647,100
Pledges receivable, net	483,500	4,011,000	-	4,494,500
Beneficial interest in trusts	2,162,600	-	-	2,162,600
Contributions receivable from the Foundation	4,011,000	-	(4,011,000)	-
Other assets	200,000	-	-	200,000
<b>Total long-term assets</b>	<b>10,500,100</b>	<b>4,011,000</b>	<b>(4,011,000)</b>	<b>10,500,100</b>
<b>Total assets</b>	<b>\$ 24,914,500</b>	<b>\$ 4,787,500</b>	<b>\$ (4,787,500)</b>	<b>\$ 24,914,500</b>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 4,962,400	\$ -	\$ -	\$ 4,962,400
Accounts payable to affiliates	1,028,500	-	-	1,028,500
Contributions payable to Easter Seals, Inc.	-	4,787,500	(4,787,500)	-
Capital lease obligation	42,600	-	-	42,600
Line of credit	4,653,400	-	-	4,653,400
<b>Total current liabilities</b>	<b>10,686,900</b>	<b>4,787,500</b>	<b>(4,787,500)</b>	<b>10,686,900</b>
Long-term liabilities:				
Accounts payable to affiliates	579,600	-	-	579,600
Charitable gift annuities	687,400	-	-	687,400
Deferred rent and other	3,292,100	-	-	3,292,100
Note payable	966,100	-	-	966,100
Pension liability	8,952,600	-	-	8,952,600
<b>Total long-term liabilities</b>	<b>14,477,800</b>	<b>-</b>	<b>-</b>	<b>14,477,800</b>
<b>Total liabilities</b>	<b>25,164,700</b>	<b>4,787,500</b>	<b>(4,787,500)</b>	<b>25,164,700</b>
Net assets (deficit):				
Unrestricted:				
Available for operations	5,693,000	-	-	5,693,000
Net actuarial pension loss	(14,669,700)	-	-	(14,669,700)
	(8,976,700)	-	-	(8,976,700)
Temporarily restricted	7,014,500	-	-	7,014,500
Permanently restricted	1,712,000	-	-	1,712,000
<b>Total net assets (deficit)</b>	<b>(250,200)</b>	<b>-</b>	<b>-</b>	<b>(250,200)</b>
<b>Total liabilities and net assets</b>	<b>\$ 24,914,500</b>	<b>\$ 4,787,500</b>	<b>\$ (4,787,500)</b>	<b>\$ 24,914,500</b>

**Easter Seals, Inc. and Easter Seals Foundation**

**Consolidating Statement of Financial Position  
December 31, 2015**

	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 593,800	\$ -	\$ -	\$ 593,800
Investments	7,720,900	-	-	7,720,900
Accounts receivable from affiliates, net	216,100	-	-	216,100
Government grants and contract receivable	3,758,800	-	-	3,758,800
Pledges receivable, net	1,239,400	2,331,200	-	3,570,600
Other accounts receivable, net	753,600	-	-	753,600
Prepaid expenses	424,300	-	-	424,300
Contributions receivable from the Foundation	2,331,200	-	(2,331,200)	-
<b>Total current assets</b>	<b>17,038,100</b>	<b>2,331,200</b>	<b>(2,331,200)</b>	<b>17,038,100</b>
Long-term assets:				
Fixed assets, net	256,000	-	-	256,000
Investments for charitable gift annuities	1,698,600	-	-	1,698,600
Pledges receivable, net	708,700	3,779,900	-	4,488,600
Beneficial interest in trusts	2,364,000	-	-	2,364,000
Contributions receivable from the Foundation	3,779,900	-	(3,779,900)	-
Other assets	200,000	-	-	200,000
<b>Total long-term assets</b>	<b>9,007,200</b>	<b>3,779,900</b>	<b>(3,779,900)</b>	<b>9,007,200</b>
<b>Total assets</b>	<b>\$ 26,045,300</b>	<b>\$ 6,111,100</b>	<b>\$ (6,111,100)</b>	<b>\$ 26,045,300</b>
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 5,024,900	\$ -	\$ -	\$ 5,024,900
Accounts payable to affiliates	3,740,600	-	-	3,740,600
Contributions payable to Easter Seals, Inc.	-	6,111,100	(6,111,100)	-
Capital lease obligation	77,000	-	-	77,000
Line of credit	4,496,500	-	-	4,496,500
<b>Total current liabilities</b>	<b>13,339,000</b>	<b>6,111,100</b>	<b>(6,111,100)</b>	<b>13,339,000</b>
Long-term liabilities:				
Accounts payable to affiliates	654,900	-	-	654,900
Charitable gift annuities	727,300	-	-	727,300
Deferred rent and other	1,596,900	-	-	1,596,900
Note payable	931,600	-	-	931,600
Pension liability	8,137,700	-	-	8,137,700
<b>Total long-term liabilities</b>	<b>12,048,400</b>	<b>-</b>	<b>-</b>	<b>12,048,400</b>
<b>Total liabilities</b>	<b>25,387,400</b>	<b>6,111,100</b>	<b>(6,111,100)</b>	<b>25,387,400</b>
Net assets (deficit):				
Unrestricted:				
Available for operations	4,272,900	-	-	4,272,900
Net actuarial pension loss	(13,946,500)	-	-	(13,946,500)
	(9,673,600)	-	-	(9,673,600)
Temporarily restricted	8,558,800	-	-	8,558,800
Permanently restricted	1,772,700	-	-	1,772,700
<b>Total net assets</b>	<b>657,900</b>	<b>-</b>	<b>-</b>	<b>657,900</b>
<b>Total liabilities and net assets</b>	<b>\$ 26,045,300</b>	<b>\$ 6,111,100</b>	<b>\$ (6,111,100)</b>	<b>\$ 26,045,300</b>

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets  
December 31, 2016

	Unrestricted				Temporarily Restricted				Permanently Restricted	Consolidated Totals
	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	
Operating:										
Public support:										
Contributions	\$ 32,827,900	\$ 5,100	\$ -	\$ 32,833,000	\$ 2,228,300	\$ 35,000	\$ -	\$ 2,263,300	\$ -	\$ 35,096,300
Transfer of Foundation contributions to Easter Seals, Inc.	5,100	(5,100)	-	-	35,000	(35,000)	-	-	-	-
Contributions from Easter Seals, Inc.	-	843,300	(843,300)	-	-	-	-	-	-	-
Change in value of split interest agreements	(147,800)	-	-	(147,800)	-	-	-	-	(64,100)	(211,900)
Government grants	20,223,600	-	-	20,223,600	-	-	-	-	-	20,223,600
In-kind contributions	10,554,500	-	-	10,554,500	-	-	-	-	-	10,554,500
<b>Total public support</b>	<b>63,463,300</b>	<b>843,300</b>	<b>(843,300)</b>	<b>63,463,300</b>	<b>2,263,300</b>	<b>-</b>	<b>-</b>	<b>2,263,300</b>	<b>(64,100)</b>	<b>65,662,500</b>
Revenues:										
Membership fees from affiliates	3,540,300	-	-	3,540,300	-	-	-	-	-	3,540,300
Sales and services to affiliates	1,381,000	-	-	1,381,000	-	-	-	-	-	1,381,000
Government contract revenue	2,461,600	-	-	2,461,600	-	-	-	-	-	2,461,600
Investment returns	245,800	-	-	245,800	-	-	-	-	-	245,800
Net unrealized gain on perpetual trusts	-	-	-	-	-	-	-	-	3,400	3,400
Miscellaneous revenue	1,352,300	-	-	1,352,300	-	-	-	-	-	1,352,300
Net assets released from restrictions	3,807,600	-	-	3,807,600	(3,807,600)	-	-	(3,807,600)	-	-
<b>Total revenues</b>	<b>12,788,600</b>	<b>-</b>	<b>-</b>	<b>12,788,600</b>	<b>(3,807,600)</b>	<b>-</b>	<b>-</b>	<b>(3,807,600)</b>	<b>3,400</b>	<b>8,984,400</b>
<b>Total public support and revenues</b>	<b>76,251,900</b>	<b>843,300</b>	<b>(843,300)</b>	<b>76,251,900</b>	<b>(1,544,300)</b>	<b>-</b>	<b>-</b>	<b>(1,544,300)</b>	<b>(60,700)</b>	<b>74,646,900</b>
Expenses:										
Program services:										
Services for affiliates:										
Program development	21,832,700	23,500	-	21,856,200	-	-	-	-	-	21,856,200
Awards to Easter Seals Foundation	843,300	-	(843,300)	-	-	-	-	-	-	-
Professional education and training	3,819,300	-	-	3,819,300	-	-	-	-	-	3,819,300
Fundraising advisory	4,752,600	-	-	4,752,600	-	-	-	-	-	4,752,600
Management advisory	2,059,400	-	-	2,059,400	-	-	-	-	-	2,059,400
<b>Total services for affiliates</b>	<b>33,307,300</b>	<b>23,500</b>	<b>(843,300)</b>	<b>32,487,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,487,500</b>
Public health education	17,918,800	-	-	17,918,800	-	-	-	-	-	17,918,800
Advocacy for persons with disabilities and research	5,861,400	-	-	5,861,400	-	-	-	-	-	5,861,400
<b>Total program services</b>	<b>57,087,500</b>	<b>23,500</b>	<b>(843,300)</b>	<b>56,267,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,267,700</b>
Supporting services:										
Fundraising	14,802,400	819,800	-	15,622,200	-	-	-	-	-	15,622,200
Management and general	2,941,900	-	-	2,941,900	-	-	-	-	-	2,941,900
<b>Total supporting services</b>	<b>17,744,300</b>	<b>819,800</b>	<b>-</b>	<b>18,564,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,564,100</b>
<b>Total operating expenses</b>	<b>74,831,800</b>	<b>843,300</b>	<b>(843,300)</b>	<b>74,831,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,831,800</b>
<b>Public support and revenues less operating expenses</b>	<b>1,420,100</b>	<b>-</b>	<b>-</b>	<b>1,420,100</b>	<b>(1,544,300)</b>	<b>-</b>	<b>-</b>	<b>(1,544,300)</b>	<b>(60,700)</b>	<b>(184,900)</b>

(Continued)

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets (Continued)  
December 31, 2016

	Unrestricted				Temporarily Restricted				Permanently Restricted	Consolidated Totals
	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	
Nonoperating:										
Pension liability adjustments other than net periodic benefit cost	\$ (723,200)	\$ -	\$ -	\$ (723,200)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (723,200)
<b>Change in net assets</b>	696,900	-	-	696,900	(1,544,300)	-	-	(1,544,300)	(60,700)	(908,100)
Net assets (deficit), beginning of year	(9,673,600)	-	-	(9,673,600)	8,558,800	-	-	8,558,800	1,772,700	657,900
Net assets (deficit), end of year	<u>\$ (8,976,700)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,976,700)</u>	<u>\$ 7,014,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,014,500</u>	<u>\$ 1,712,000</u>	<u>\$ (250,200)</u>

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets  
December 31, 2015

	Unrestricted				Temporarily Restricted				Permanently Restricted	Consolidated Totals
	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	
Operating:										
Public support:										
Contributions	\$ 34,464,300	\$ 855,600	\$ -	\$ 35,319,900	\$ 3,847,800	\$ 3,164,200	\$ -	\$ 7,012,000	\$ -	\$ 42,331,900
Transfer of Foundation contributions to Easter Seals, Inc.	855,600	(855,600)	-	-	3,164,200	(3,164,200)	-	-	-	-
Contributions from Easter Seals, Inc.	-	782,100	(782,100)	-	-	-	-	-	-	-
Change in value of split interest agreements	(12,300)	-	-	(12,300)	-	-	-	-	500	(11,800)
Government grants	18,889,800	-	-	18,889,800	-	-	-	-	-	18,889,800
In-kind contributions	26,228,800	135,600	-	26,364,400	-	-	-	-	-	26,364,400
<b>Total public support</b>	<b>80,426,200</b>	<b>917,700</b>	<b>(782,100)</b>	<b>80,561,800</b>	<b>7,012,000</b>	<b>-</b>	<b>-</b>	<b>7,012,000</b>	<b>500</b>	<b>87,574,300</b>
Revenues:										
Membership fees from affiliates	3,418,100	-	-	3,418,100	-	-	-	-	-	3,418,100
Sales and services to affiliates	957,100	-	-	957,100	-	-	-	-	-	957,100
Government contract revenue	2,525,500	-	-	2,525,500	-	-	-	-	-	2,525,500
Investment returns	79,100	-	-	79,100	-	-	-	-	-	79,100
Net unrealized gains on perpetual trusts	-	-	-	-	-	-	-	-	(78,600)	(78,600)
Miscellaneous revenue	1,344,200	-	-	1,344,200	-	-	-	-	-	1,344,200
Net assets released from restrictions	6,784,300	-	-	6,784,300	(6,784,300)	-	-	(6,784,300)	-	-
<b>Total revenues</b>	<b>15,108,300</b>	<b>-</b>	<b>-</b>	<b>15,108,300</b>	<b>(6,784,300)</b>	<b>-</b>	<b>-</b>	<b>(6,784,300)</b>	<b>(78,600)</b>	<b>8,245,400</b>
<b>Total public support and revenues</b>	<b>95,534,500</b>	<b>917,700</b>	<b>(782,100)</b>	<b>95,670,100</b>	<b>227,700</b>	<b>-</b>	<b>-</b>	<b>227,700</b>	<b>(78,100)</b>	<b>95,819,700</b>
Expenses:										
Program services:										
Services for affiliates:										
Program development	22,712,400	41,000	-	22,753,400	-	-	-	-	-	22,753,400
Awards to Easter Seals Foundation	782,100	-	(782,100)	-	-	-	-	-	-	-
Professional education and training	3,570,600	-	-	3,570,600	-	-	-	-	-	3,570,600
Fundraising advisory	6,093,800	-	-	6,093,800	-	-	-	-	-	6,093,800
Management advisory	2,071,900	-	-	2,071,900	-	-	-	-	-	2,071,900
<b>Total services for affiliates</b>	<b>35,230,800</b>	<b>41,000</b>	<b>(782,100)</b>	<b>34,489,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,489,700</b>
Public health education	27,457,100	-	-	27,457,100	-	-	-	-	-	27,457,100
Advocacy for persons with disabilities and research	14,454,800	-	-	14,454,800	-	-	-	-	-	14,454,800
<b>Total program services</b>	<b>77,142,700</b>	<b>41,000</b>	<b>(782,100)</b>	<b>76,401,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,401,600</b>
Supporting services:										
Fundraising	15,637,900	876,700	-	16,514,600	-	-	-	-	-	16,514,600
Management and general	2,574,500	-	-	2,574,500	-	-	-	-	-	2,574,500
<b>Total supporting services</b>	<b>18,212,400</b>	<b>876,700</b>	<b>-</b>	<b>19,089,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,089,100</b>
<b>Total operating expenses</b>	<b>95,355,100</b>	<b>917,700</b>	<b>(782,100)</b>	<b>95,490,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,490,700</b>
<b>Public support and revenues less operating expenses</b>	<b>179,400</b>	<b>-</b>	<b>-</b>	<b>179,400</b>	<b>227,700</b>	<b>-</b>	<b>-</b>	<b>227,700</b>	<b>(78,100)</b>	<b>329,000</b>

(Continued)

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets (Continued)  
December 31, 2015

	Unrestricted				Temporarily Restricted				Permanently Restricted	Consolidated Totals
	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated	Easter Seals, Inc.	
Nonoperating:										
Pension liability adjustments other than net periodic benefit cost	\$ (1,487,900)	\$ -	\$ -	\$ (1,487,900)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,487,900)
Lease termination penalty	(763,700)	-	-	(763,700)	-	-	-	-	-	(763,700)
<b>Change in net assets</b>	(2,072,200)	-	-	(2,072,200)	227,700	-	-	227,700	(78,100)	(1,922,600)
Net assets (deficit), beginning of year	(7,601,400)	-	-	(7,601,400)	8,331,100	-	-	8,331,100	1,850,800	2,580,500
Net assets (deficit), end of year	<u>\$ (9,673,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,673,600)</u>	<u>\$ 8,558,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,558,800</u>	<u>\$ 1,772,700</u>	<u>\$ 657,900</u>