

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Financial Report
December 31, 2017

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Easterseals

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation (collectively, Easterseals) which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 Easterseals as of December 31, 2017 and 2016, 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
June 4, 2018

Easter Seals, Inc. and Easter Seals Foundation

**Consolidated Statements of Financial Position
December 31, 2017 and 2016**

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 359,400	\$ 884,700
Investments	7,902,600	7,790,200
Accounts receivable from affiliates, less allowance for doubtful accounts of 2017 \$286,300; 2016 \$163,500	169,100	225,400
Government grants and contract receivable	2,891,300	2,928,900
Pledges receivable, net	325,300	1,026,500
Other accounts receivable, less allowance for doubtful accounts of 2017 \$0; 2016 \$73,700	681,700	902,000
Prepaid expenses	368,900	656,700
Total current assets	12,698,300	14,414,400
Long-term assets:		
Fixed assets, net	1,796,100	1,995,900
Investments for charitable gift annuities	1,716,600	1,647,100
Pledges receivable, net	85,400	4,494,500
Beneficial interest in trusts	2,116,600	2,162,600
Other assets	200,000	200,000
Total long-term assets	5,914,700	10,500,100
Total assets	\$ 18,613,000	\$ 24,914,500
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,908,000	\$ 4,962,400
Accounts payable to affiliates	10,500	1,028,500
Capital lease obligation	8,700	42,600
Note payable	1,000,000	-
Line of credit	2,907,600	4,653,400
Total current liabilities	8,834,800	10,686,900
Long-term liabilities:		
Accounts payable to affiliates	633,600	579,600
Charitable gift annuities	670,600	687,400
Deferred rent and other	3,118,500	3,292,100
Note payable	-	966,100
Pension liability	10,830,300	8,952,600
Total long-term liabilities	15,253,000	14,477,800
Total liabilities	24,087,800	25,164,700
Net assets (deficit):		
Unrestricted:		
Available for operations	6,509,500	5,693,000
Net actuarial pension loss	(16,430,000)	(14,669,700)
	(9,920,500)	(8,976,700)
Temporarily restricted	2,607,800	7,014,500
Permanently restricted	1,837,900	1,712,000
Total net assets (deficit)	(5,474,800)	(250,200)
Total liabilities and net assets (deficit)	\$ 18,613,000	\$ 24,914,500

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, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating:				
Public support:				
Contributions	\$ 31,683,500	\$ 2,391,000	\$ -	\$ 34,074,500
Change in value of split-interest agreements	(95,500)	138,900	35,300	78,700
Government grants	24,469,700	-	-	24,469,700
In-kind contributions	4,080,000	-	-	4,080,000
Total public support	60,137,700	2,529,900	35,300	62,702,900
Revenues:				
Membership fees from affiliates	3,592,600	-	-	3,592,600
Sales and services to affiliates	862,000	-	-	862,000
Government contract revenue	647,800	-	-	647,800
Investment returns	338,500	-	-	338,500
Net unrealized gain on perpetual trusts	-	-	117,000	117,000
Miscellaneous revenue	476,100	-	-	476,100
Net assets released from restrictions	3,125,800	(3,125,800)	-	-
Total revenues	9,042,800	(3,125,800)	117,000	6,034,000
Total public support and revenues	69,180,500	(595,900)	152,300	68,736,900
Expenses:				
Program services:				
Services for affiliates:				
Program development	24,506,800	-	-	24,506,800
Professional education and training	3,528,000	-	-	3,528,000
Fundraising advisory	4,272,900	-	-	4,272,900
Management advisory	2,770,100	-	-	2,770,100
Total services for affiliates	35,077,800	-	-	35,077,800
Public health education	12,132,700	-	-	12,132,700
Advocacy for persons with disabilities and research	2,146,100	-	-	2,146,100
Total program services	49,356,600	-	-	49,356,600
Supporting services:				
Fundraising	15,467,800	-	-	15,467,800
Management and general	2,358,200	-	-	2,358,200
Total supporting services	17,826,000	-	-	17,826,000
Total operating expenses	67,182,600	-	-	67,182,600
Public support and revenues less operating expenses	1,997,900	(595,900)	152,300	1,554,300

(Continued)

Easter Seals, Inc. and Easter Seals Foundation

Consolidated Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Nonoperating:				
Pension liability adjustments other than net periodic benefit cost	\$ (1,756,900)	\$ -	\$ -	\$ (1,756,900)
Loss on transfer of Dixon Center	(1,184,800)	(2,550,000)	-	(3,734,800)
Loss on write-off of pledges receivable	-	(1,260,800)	(26,400)	(1,287,200)
Total nonoperating expenses	<u>(2,941,700)</u>	<u>(3,810,800)</u>	<u>(26,400)</u>	<u>(6,778,900)</u>
Change in net assets	(943,800)	(4,406,700)	125,900	(5,224,600)
Net assets (deficit), beginning of year	<u>(8,976,700)</u>	<u>7,014,500</u>	<u>1,712,000</u>	<u>(250,200)</u>
Net assets (deficit), end of year	<u>\$ (9,920,500)</u>	<u>\$ 2,607,800</u>	<u>\$ 1,837,900</u>	<u>\$ (5,474,800)</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, 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
Total public support	63,463,300	2,263,300	(64,100)	65,662,500
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)	-	-
Total revenues	12,788,600	(3,807,600)	3,400	8,984,400
Total public support and revenues	76,251,900	(1,544,300)	(60,700)	74,646,900
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
Total services for affiliates	32,487,500	-	-	32,487,500
Public health education	17,918,800	-	-	17,918,800
Advocacy for persons with disabilities and research	5,861,400	-	-	5,861,400
Total program services	56,267,700	-	-	56,267,700
Supporting services:				
Fundraising	15,622,200	-	-	15,622,200
Management and general	2,941,900	-	-	2,941,900
Total supporting services	18,564,100	-	-	18,564,100
Total operating expenses	74,831,800	-	-	74,831,800
Public support and revenues less operating expenses	1,420,100	(1,544,300)	(60,700)	(184,900)

(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)
Total nonoperating expenses	(723,200)	-	-	(723,200)
Change in net assets	696,900	(1,544,300)	(60,700)	(908,100)
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 Functional Expenses
Year Ended December 31, 2017

	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	\$ 2,519,500	\$ 935,400	\$ 742,100	\$ 1,239,500	\$ 5,436,500	\$ 163,300	\$ 54,800	\$ 218,100	\$ 5,654,600	\$ 1,252,000	\$ 1,231,800	\$ 8,138,400
Mail production and services	-	-	187,600	-	187,600	9,696,200	-	9,696,200	9,883,800	12,816,900	-	22,700,700
Grants and awards	19,912,400	17,100	2,254,800	-	22,184,300	-	-	-	22,184,300	136,900	2,800	22,324,000
Professional fees	1,406,900	2,099,800	561,000	1,195,200	5,262,900	165,900	11,600	177,500	5,440,400	839,200	535,700	6,815,300
Printing and media	12,300	10,100	379,800	13,800	416,000	2,062,500	2,054,900	4,117,400	4,533,400	35,400	5,100	4,573,900
Travel	84,800	88,800	6,700	75,200	255,500	1,700	300	2,000	257,500	22,300	10,800	290,600
Conferences and meetings	52,800	38,700	13,700	59,300	164,500	7,000	400	7,400	171,900	22,100	15,700	209,700
Occupancy	369,600	247,800	82,300	113,600	813,300	24,300	19,400	43,700	857,000	153,000	225,500	1,235,500
Telephone and communications	52,200	45,000	12,400	25,600	135,200	4,100	1,500	5,600	140,800	23,700	27,500	192,000
Office supplies	27,100	25,600	900	12,300	65,900	200	1,000	1,200	67,100	600	7,700	75,400
Postage and shipping	10,200	2,000	1,300	2,300	15,800	100	100	200	16,000	3,800	3,400	23,200
Repair and maintenance	10,500	5,500	-	300	16,300	-	1,000	1,000	17,300	-	5,200	22,500
Miscellaneous	10,200	2,000	13,000	8,500	33,700	3,700	200	3,900	37,600	132,000	132,700	302,300
Depreciation and amortization	38,300	10,200	17,300	24,500	90,300	3,700	900	4,600	94,900	29,900	154,300	279,100
Total expenses	\$ 24,506,800	\$ 3,528,000	\$ 4,272,900	\$ 2,770,100	\$ 35,077,800	\$ 12,132,700	\$ 2,146,100	\$ 14,278,800	\$ 49,356,600	\$ 15,467,800	\$ 2,358,200	\$ 67,182,600

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	<u>\$ 21,856,200</u>	<u>\$ 3,819,300</u>	<u>\$ 4,752,600</u>	<u>\$ 2,059,400</u>	<u>\$ 32,487,500</u>	<u>\$ 17,918,800</u>	<u>\$ 5,861,400</u>	<u>\$ 23,780,200</u>	<u>\$ 56,267,700</u>	<u>\$ 15,622,200</u>	<u>\$ 2,941,900</u>	<u>\$ 74,831,800</u>

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

**Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (5,224,600)	\$ (908,100)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	279,100	175,600
Net unrealized and realized gains on investments	(209,400)	(133,000)
Net unrealized gains on perpetual trusts	(117,000)	(3,400)
Change in value of split-interest agreements	(78,700)	213,200
Loss on disposal of property	-	11,400
Loss on transfer of Dixon Center	3,384,800	-
Loss on write-off of pledges receivable	1,287,200	-
Change in value of pension liability	2,893,700	1,803,900
Changes in assets and liabilities:		
Accounts receivable from affiliates	56,300	(9,300)
Government grants and contract receivable	37,600	829,900
Pledges receivable, net	464,700	2,538,100
Other accounts receivable	220,300	(171,200)
Prepaid expenses	287,800	(209,600)
Beneficial interests in trusts	310,800	81,500
Accounts payable and accrued liabilities	(54,400)	(62,500)
Accounts payable to affiliates	(964,000)	(2,787,400)
Charitable gift annuities	18,600	172,000
Deferred rent and other	(139,700)	259,200
Payments on pension liability	(1,016,000)	(989,000)
Net cash provided by operating activities	1,437,100	811,300
Cash flows from investing activities:		
Proceeds from sale of fixed assets	-	3,500
Purchases of fixed assets	(79,300)	(459,900)
Purchases of investments	(3,778,300)	(7,723,600)
Proceeds from maturity or sale of investments	3,805,800	7,838,800
Net cash used in investing activities	(51,800)	(341,200)
Cash flows from financing activities:		
Net (repayments) drawdowns on line of credit	(1,745,800)	156,900
Payments to annuitants	(130,900)	(301,700)
Payments on capital lease obligations	(33,900)	(34,400)
Net cash used in financing activities	(1,910,600)	(179,200)
Net change in cash and cash equivalents	(525,300)	290,900
Cash and cash equivalents:		
Beginning of year	884,700	593,800
End of year	<u>\$ 359,400</u>	<u>\$ 884,700</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 59,400</u>	<u>\$ 91,100</u>
Supplemental schedule of noncash investing activities:		
Purchase of leasehold improvements from lease incentives	<u>\$ -</u>	<u>\$ 1,470,500</u>

See notes to consolidated financial statements.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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 Easterseals), which raises funds to further Easter Seals, Inc.'s initiatives and programs.

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

Through its headquarters' office and 72 affiliates, Easterseals provides services and support to individuals with disabilities and support to their families across the United States.

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. Easterseals' consolidated 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.

Easterseals conducts a comprehensive national direct-response fundraising and public education campaign (National Campaign) in accordance with Easterseals' charitable goals and objectives outlined in its by-laws. Easterseals does not serve as an agent for its affiliates in conducting the National Campaign, but rather raises funds for Easterseals 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 Easterseals and its affiliates.

In 2016, Easterseals embarked on a strategic visioning process as the organization looks to its second 100 years of delivering high quality services to people with disabilities, caregivers, seniors and veterans. This process reaffirmed the priorities of the Easterseals national office to advance the outstanding work of the 72 Easterseals affiliates across the country. As part of this strategic review, Easterseals and Dixon Center determined that a move of the Dixon Center, which represents program development operations associated with veterans initiatives, will better advance the strategic goals of both organizations in the coming years. As of May 1, 2017, the Dixon Center operations moved from Easterseals national office to join forces with Fedcap, a national non-profit that creates opportunities for people with barriers to economic well-being. As a result, the December 31, 2017 statement of activities reflects a loss on transfer of Dixon Center which represents pledges of \$3,384,800 and cash of \$350,000.

Easter Seals, Inc. and Easter Seals Foundation have incurred losses of approximately \$5,224,600 and \$908,100 for the years ended December 31, 2017 and 2016, respectively. While the losses are impacted by the pension liability adjustments other than net periodic benefit cost, the 2017 loss was also impacted by two non-cash, non-operating items: the loss on transfer of business and loss on pledges receivable. Over the past two years, Easterseals has implemented cost savings programs that have reduced recurring operating expenses by approximately \$1.5 million, on an annual basis. The impact of these efforts will not be fully realized until 2018.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

Accounting policies: Easterseals 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.

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. Easterseals maintains its cash balance in financial institutions, which at times may exceed federally insured limits. Easterseals 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 Easterseals 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 Easterseals to pay all maintenance costs. Expenditures for maintenance and repairs are expensed as incurred and expenditures for major renovations are capitalized.

Easterseals 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, Easterseals 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, 2017 or 2016.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

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: Easterseals' domain name is considered an intangible asset with an indefinite life. Easterseals 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. Easterseals did not record any impairment charges during 2017 or 2016.

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: Easterseals has been designated as the beneficiary of assets held in charitable lead and remainder trusts administered by other trustees. Easterseals 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 Easterseals are recognized in the consolidated statement of activities as a change in value of split interest agreements.

Easterseals has also been designated as the beneficiary of perpetual irrevocable trusts which are administered by other trustees. Under the terms of the trusts, Easterseals has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. Easterseals 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 consolidated statement of activities as net unrealized gains on perpetual trusts. Annual distributions from the trust are reported as investment returns in the consolidated 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 Easterseals. 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. Easterseals is required to hold reserves related to the gift annuity program based on the laws in certain states in which Easterseals solicits these gifts.

Net assets: The net assets of Easterseals 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 Easterseals' core activities. All expenses are recorded as a reduction of unrestricted net assets.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

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 Easterseals 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 Easterseals has received an unconditional promise to give. Easterseals considers a bequest unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable.

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. Easterseals 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 Easterseals' programs.

In-kind contributions: Easterseals 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 Easterseals' benefit and that encourage the public to contribute to Easterseals or help Easterseals communicate its message or mission. Easterseals will not record a contribution in circumstances in which Easterseals is unable to have an active involvement in determining and managing the message and the use of the materials. In-kind contributions in 2017 primarily relate to public service announcements for Easterseals. In-kind contributions in 2016 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 in effect offset by like amounts included in public health education and advocacy for persons with disabilities and research expense in the consolidated statement of activities and changes in net assets, as well as in printing and media expense in the consolidated 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 Easterseals articles.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

Operating expenses: Operating expenses are presented in the consolidated statement of activities on a functional basis, classified according to the significant program activity related to the purpose for which Easterseals 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 Easterseals' expertise, Easterseals 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 Easterseals' 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 Easterseals' brand and membership standards with affiliates; consulting on general management issues, including Easterseals' best practices for service delivery, board development, and doing business as a nonprofit: finance and accounting, budgeting, strategic planning, and personnel selection.

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.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

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 consolidated 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 2014.

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

Adopted accounting pronouncements: In 2017, Easterseals adopted Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40)*. This ASU requires management to evaluate whether there are conditions or events that raise substantial doubt about the Easterseals' ability to continue as a going concern for a period of one year from the date the consolidated financial statements are available to be issued.

In 2017, Easterseals adopted FASB ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU eliminates the requirement to disclose investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent).

Pending accounting pronouncements: In January 2016, the FASB issued 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 Easterseals beginning in 2019.

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 Easterseals in 2019, and early adoption is allowed.

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 consolidated statement of activities. The new standard is effective for Easterseals in 2020, and early adoption is allowed.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

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

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. The new standard is effective for Easterseals in 2018.

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 entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the income statement separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. The new standard is effective for Easterseals in 2019 and early adoption is allowed.

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

Subsequent events: Easterseals has evaluated subsequent events for potential recognition and/or disclosure through June 4, 2018, the date the consolidated financial statements were available to be issued.

Note 2. Pledges Receivable

Donors' promises to give to Easterseals, net of a discount to present value (ranging from 1.2 percent to 1.57 percent) are due to be collected as follows:

	2017	2016
Gross amounts due in:		
One year	\$ 325,300	\$ 1,026,500
One to five years	87,500	4,651,600
Subtotal	412,800	5,678,100
Less discount to present value	2,100	157,100
Total	<u>\$ 410,700</u>	<u>\$ 5,521,000</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.

In May 2017, \$3,384,800 of pledges receivable dedicated towards the Dixon Center were transferred to Fedcap as part of the Dixon Center transition. Also in May 2017, \$1,260,800 of pledges related to the Foundation was deemed uncollectible.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 3. Beneficial Interest in Trusts

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

	Discount Rate	Annual Distribution	Remaining Years	Fair Value 2017	Fair Value 2016
2010 Charitable Lead trust	2.24%	4,200	3	\$ 9,600	\$ 13,800
2011 Charitable Lead trust	0.00%	2,100	0	-	27,900
				<u>\$ 9,600</u>	<u>\$ 41,700</u>

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

	Discount Rate	Principal Amount	Remaining Years	Fair Value 2017	Fair Value 2016
1998 Charitable remainder trust	2.74%	\$ 232,200	20	\$ 142,600	\$ 122,600
1999 Charitable remainder trust	2.69%	1,000,000	17	636,600	601,300
2009 Charitable remainder trust	2.69%	379,600	17	80,900	82,400
2011 Charitable remainder trust	0.00%	295,500	0	-	175,200
2011 Charitable remainder trust	2.11%	30,700	1	27,200	22,000
2011 Charitable remainder trust	2.11%	78,500	1	38,500	26,700
				<u>\$ 925,800</u>	<u>\$ 1,030,200</u>

Easterseals' beneficial interest in perpetual trusts is summarized as follows:

	Principal Amount	Easter Seals Interest	Fair Value 2017	Fair Value 2016
2011 Perpetual Trust	\$ 795,400	100%	\$ 795,400	\$ 709,300
2011 Perpetual Trust	3,236,100	10%	323,600	298,500
2011 Perpetual Trust	995,700	6.25%	62,200	56,500
2012 Perpetual Trust	-	0%	-	26,400
			<u>\$ 1,181,200</u>	<u>\$ 1,090,700</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, 2017 and 2016.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 4. Fixed Assets

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

	2017	2016
Leasehold improvements	\$ 1,262,000	\$ 1,165,600
Furniture and fixtures	447,400	442,700
Computers, equipment and software	752,400	717,200
Software in progress	75,000	181,200
	<u>2,536,800</u>	<u>2,506,700</u>
Accumulated depreciation and amortization	(740,700)	(510,800)
Total fixed assets and intangible asset	<u>\$ 1,796,100</u>	<u>\$ 1,995,900</u>

Software amortization expense for the years ended December 31, 2017 and 2016 was \$49,900 and \$38,400, respectively. Total accumulated software amortization expense for the years ended December 31, 2017 and 2016, was approximately \$132,300 and \$148,400, respectively.

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.

Easterseals 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, 2017 and 2016, there were no such transfers.

For the years ended December 31, 2017 and 2016, 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.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 5. Fair Value Disclosures (Continued)

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 Easterseals' 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 Easterseals' interest in the fair value of the underlying trust assets.

The following tables present Easterseals' fair value hierarchy for the investments as of December 31, 2017 and 2016:

	2017			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Money Market Funds	\$ 266,300	\$ 266,300	\$ -	\$ -
Equity Securities:				
U.S. Large Cap Growth - Mutual Funds	488,700	488,700	-	-
U.S. Small & Mid Cap - Mutual Funds	324,500	324,500	-	-
International Mutual Funds	601,700	601,700	-	-
Total Equity Securities	1,414,900	1,414,900	-	-
Fixed Income Securities:				
Government Bonds	3,463,900	3,463,900	-	-
U.S. Corporate Bond Mutual Funds	987,700	987,700	-	-
Total Fixed Income Securities	4,451,600	4,451,600	-	-
Total Investments at Fair Value	6,132,800	\$ 6,132,800	\$ -	\$ -
Certificates of Deposit	3,486,400			
Total Investments	\$ 9,619,200			
Beneficial Interest in Trusts	\$ 2,116,600	\$ -	\$ -	\$ 2,116,600

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 5. Fair Value Disclosures (Continued)

	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

Easterseals maintains a portion of its investment portfolio in a separate account as a reserve for its charitable gift annuities. This reserve totaled \$1,716,600 and \$1,647,100 at December 31, 2017 and 2016, respectively.

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

	2017	2016
	Beneficial Interest in Trusts	Beneficial Interest in Trusts
Balance, beginning of year	\$ 2,162,600	\$ 2,364,000
Annual distributions from charitable lead trust	(46,500)	(80,600)
Charitable remainder trust final distribution	(304,500)	
Change in value of trusts	305,000	(120,800)
Balance, end of year	\$ 2,116,600	\$ 2,162,600

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 6. Investment Returns and Net Unrealized Gains on Perpetual Trusts

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

	2017	2016
Interest and dividends	\$ 83,600	\$ 46,100
Perpetual trust interest and dividends	45,500	66,700
Realized and unrealized gains	209,400	133,000
Perpetual trust unrealized gain	117,000	3,400
	<u>\$ 455,500</u>	<u>\$ 249,200</u>

Investment advisory fees paid by Easterseals were \$7,200 and \$4,000 for 2017 and 2016, respectively.

Note 7. Debt

Easterseals 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. Easterseals had \$2,907,600 and \$4,653,400 outstanding under this line of credit as of December 31, 2017 and 2016, respectively. The interest rate is LIBOR plus 1.5 percent. The weighted average interest rate on the line of credit was 2.4 percent and 1.9 percent for 2017 and 2016, respectively.

Easterseals 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 Easterseals, 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 January 10, 2018 for both principal and unpaid interest. The principal and interest was paid in full on January 10, 2018. The imputed below-market portion of this loan was calculated at \$68,400 and recorded as contribution revenue in 2015. The loan balance of \$1,000,000 at December 31, 2017 is classified as short-term debt. The loan balance of \$966,100 at December 31, 2016 was classified as long-term debt. Accretion of the loan balance is recorded as interest expense.

Note 8. Affiliates

Easterseals 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 Easterseals data template, by certain dates during each year. Easterseals headquarters reviews the audited financial statements and agrees the information to the template to ensure accuracy. The information is then aggregated and included in Easterseals' non-audited annual report. This unaudited financial information, summarized for the most recent annual reporting periods (2016), is as follows:

	(Unaudited)	
	2016	2015
Total assets	\$ 1,464,408,000	\$ 1,385,010,000
Total liabilities	469,668,000	426,458,000
Total net assets ⁽¹⁾	994,740,000	958,551,000
Total revenues	1,912,518,000	1,774,566,000
Total expenses and other changes in net assets	1,876,329,000	1,751,620,000

(1) Balances reflected above are aggregate totals for affiliates reporting in each year.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 8. Affiliates (Continued)

The nature of Easterseals' 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 Easterseals organization, affiliates paid membership fees of \$3,592,600 and \$3,540,300 for 2017 and 2016, respectively. Accounts receivable balances from affiliates, after allowances for uncollectible accounts, at December 31, 2017 and 2016, were \$169,100 and \$225,400, respectively. These amounts are classified in current assets based on timing of expected payments.

The aggregate amount of program awards and grants for which Easterseals is obligated to its affiliates as of December 31, 2017 and 2016 are \$644,100 and \$1,608,100, respectively. As of December 31, 2017 and 2016, the program awards and grants are payable as follows:

	2017	2016
Gross amounts due in:		
One year	\$ 10,500	\$ 1,028,500
One to five years	-	-
Thereafter	633,600	579,600
Total	<u>\$ 644,100</u>	<u>\$ 1,608,100</u>

Note 9. Allocation of Joint Information Costs

For the years ended December 31, 2017 and 2016, Easterseals incurred joint program services costs of \$22,505,300 and \$21,800,400, respectively, for informational materials that included fundraising appeals. For 2017 and 2016, Easterseals allocated \$9,696,200 and \$9,986,000, respectively, to public health education and \$12,809,100 and \$11,814,400, respectively, to fundraising.

Note 10. Pension Plan

Easterseals has a defined benefit pension plan covering substantially all of its employees. Benefits are based on years of service and the employee's average compensation. Easterseals' 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 benefit pension plan with measurement dates of December 31, 2017 and 2016. The tables also reflect the funded status of the plan, as well as recognized and unrecognized amounts in the consolidated statements of financial position.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 10. Pension Plan (Continued)

	2017	2016
Accumulated benefit obligation	\$ 34,762,100	\$ 30,204,500
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 30,204,500	\$ 29,357,200
Interest cost	1,291,500	1,329,600
Actuarial loss	4,978,500	1,185,500
Benefits paid	(1,712,400)	(1,667,800)
Projected benefit obligation at end of year	34,762,100	30,204,500
Change in plan assets:		
Fair value of plan assets at beginning of year	21,251,900	21,219,500
Actual return on plan assets	3,376,300	711,200
Employer contributions	1,016,000	989,000
Benefits paid	(1,712,400)	(1,667,800)
Fair value of plan assets at end of year	23,931,800	21,251,900
Reconciliation of funded status:		
Funded status	(10,830,300)	(8,952,600)
Net amount recognized	\$ (10,830,300)	\$ (8,952,600)
Amounts recognized in statement of financial position consist of:		
Noncurrent liabilities	\$ (10,830,300)	\$ (8,952,600)

Included in unrestricted net assets at December 31, 2017 and 2016, are unrecognized actuarial losses of \$16,430,000 and \$14,669,700, 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 \$1,189,500.

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

	2017	2016
Current year actuarial loss	\$ 3,052,700	\$ 1,933,200
Amortization of net loss	(1,295,800)	(1,210,000)
	\$ 1,756,900	\$ 723,200
Components of net periodic benefit cost:		
Interest cost	\$ 1,291,500	\$ 1,329,600
Expected return on plan assets	(1,453,900)	(1,458,800)
Amortization of actuarial loss	1,295,800	1,210,000
Net periodic benefit cost	\$ 1,133,400	\$ 1,080,800

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 10. Pension Plan (Continued)

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

	2017	2016
Weighted-average discount rate	3.55%	4.41%
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:

	2017	2016
Weighted-average discount rate	4.41%	4.66%
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%

Easterseals 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

In 2016, Easterseals participated in a pooled pension plan sponsored by Easterseals and its various affiliates throughout the country with commingled plan assets held in a Master Trust. In 2017, Easterseals changed asset managers and separated the assets of the Master Trust into individual investment accounts for each pension plan. The investment accounts for each pension plan are now invested in pooled separate accounts. The following value of plan assets in 2017 relate solely to the Easter Seals, Inc. Pension Plan. Easterseals' percentage interest in the combined accounts in the Master Trust was approximately 60 percent as of December 31, 2016.

Following is a description of the valuation methodology used for assets measured at fair value at December 31, 2017. The valuation methodologies used for the plan assets at December 31, 2016 are described in Note 5.

Shares of pooled separate accounts: Valued at the total of the net asset value (NAV) of shares of mutual funds and cash held by the account at year-end. The Plan's interest in the pooled separate accounts is valued based on the information reported by the investment advisor. The NAV, as provided by the investment manager, is used as a practical expedient to estimating fair value. The NAV is based upon the fair value of the underlying investments comprising the fund less its liabilities.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 10. Pension Plan (Continued)

The following table summarizes investments measured at fair value based on NAV using the practical expedient as of December 31, 2017:

	Fair Value		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
	2017	2016			
Pooled Separate Accounts					
Large U.S. Equity					
LargeCap S&P 500 Index SA (a)	\$ 12,406,300	\$ -	\$ -	daily	1 day
Short-term Fixed Income					
LDI Short Duration SA (b)	2,993,400	-	-	daily	1 day
Fixed Income					
LDI Extended Duration SA (c)	2,807,700	-	-	daily	1 day
LDI Intermediate Duration SA (d)	2,934,500	-	-	daily	1 day
LDI Long Duration SA (e)	2,789,900	-	-	daily	1 day
	<u>\$ 23,931,800</u>				

- (a) LargeCap S&P 500 Index Separate Account include investments in common stock of companies that compose the S&P 500. The investment in this category can be redeemed daily with 1 day notice.
- (b) LDI Short Duration Separate Account includes investments in fixed income securities considered to be investment grade quality. The portfolio also includes investments in U.S. Treasury bonds, bills and notes, and obligations of federal agencies and instrumentalities. The investment in this category can be redeemed daily with 1 day notice.
- (c) LDI Extended Duration Separate Account includes investments primarily in U.S. Treasury STRIPS (principal and coupon). The investment in this category can be redeemed daily with 1 day notice.
- (d) LDI Intermediate Duration Separate Account includes investments primarily in corporate fixed income securities that are deemed to be investment-grade. The investment in this category can be redeemed daily with 1 day notice.
- (e) LDI Long Duration Separate Account includes investments primarily in long duration corporate bonds, Treasury bonds, agency debentures and zero coupon bonds (STRIPS) and other traditional fixed income instruments predominantly denominated in U.S. dollars. In addition, it may invest in over the counter derivative instruments such as options and futures. The investment in this category can be redeemed daily with 1 day notice.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 10. Pension Plan (Continued)

Fair value measurements at December 31, 2016 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	\$ -

Easterseals 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 comprised of the predominantly large cap stocks held in the S&P 500 Index. Fixed income securities include corporate bonds of companies from diversified industries and U.S. Treasuries. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies.

Contributions

Easterseals made contributions to the pension plan of \$1,016,000 and \$989,000 during the years ended December 31, 2017 and 2016, respectively. Easterseals plans on contributing \$1,179,000 to the plan in 2018.

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 10. Pension Plan (Continued)

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

Year Ending December 31:		
2018	\$	1,760,000
2019		1,760,000
2020		1,770,000
2021		1,820,000
2022		1,850,000
2023-2027		9,810,000

Note 11. Restricted Net Assets

Temporarily restricted net assets (including unexpended earnings from permanently restricted net assets) at December 31, 2017 and 2016, have been restricted by donors as follows:

	2017	2016
	Temporarily Restricted	Temporarily Restricted
Program restrictions		
Advocacy	\$ 82,000	\$ 93,000
Geographic location	287,000	274,100
Education	50,000	-
Services for young children	198,900	165,000
Services for people with autism	-	200
Services for veterans	127,400	3,644,500
Time restriction	1,862,500	2,837,700
Totals	\$ 2,607,800	\$ 7,014,500

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, 2017 and 2016, as follows:

	2017	2016
Program restrictions		
Advocacy	\$ 11,000	\$ 138,900
Brand management	31,400	873,300
Geographic location	356,900	595,900
Education	195,000	327,500
Services for young children	226,100	248,200
Services for people with autism	200	-
Services for veterans	1,816,900	1,330,800
Time restriction	488,300	293,000
Totals	\$ 3,125,800	\$ 3,807,600

Easter Seals, Inc. and Easter Seals Foundation

Notes to Consolidated Financial Statements

Note 11. Restricted Net Assets (Continued)

Permanently restricted net assets consists of beneficial interest in perpetual trusts, a charitable remainder trust receivable and a donation to be held in perpetuity. Easterseals 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. Easterseals' 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

Easterseals 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 \$1,165,900 for the 233 S. Wacker lease termination penalty on behalf of Easterseals. The lease also provides Easterseals with a \$1,470,500 tenant improvement allowance. Lease incentives are recorded as deferred rent and other on the consolidated statements of financial position and amortized against rental expense over the life of the lease.

Base rent is recognized on a straight-line basis and rental expense for operating leases in Chicago amounted to \$495,400 and \$495,800 for the years ended December 31, 2017 and 2016, respectively.

Easterseals 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 \$587,000 and \$577,100 for the years ended December 31, 2017 and 2016, respectively. This lease term is through June 2028.

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

Future minimum lease payments are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
Year Ending December 31:		
2018	\$ 8,800	\$ 1,214,400
2019	-	1,241,500
2020	-	1,269,300
2021	-	1,297,700
2022	-	1,326,700
2023-2028	-	8,240,300
Total minimum lease payments	<u>8,800</u>	<u>\$ 14,589,900</u>
Less amounts representing interest	100	
Present value of net minimum lease payments	<u>\$ 8,700</u>	

Note 13. Contingencies

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

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

To the Board of Directors
Easterseals

We have audited the consolidated financial statements of Easter Seals, Inc. and Easter Seals Foundation (collectively, Easterseals) as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon, dated June 4, 2018, which contains an unmodified opinion on those consolidated financial statements (see pages 1 and 2). Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying consolidating information is presented for purposes of additional analysis 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
June 4, 2018

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Financial Position December 31, 2017

	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 359,400	\$ -	\$ -	\$ 359,400
Investments	7,902,600	-	-	7,902,600
Accounts receivable from affiliates, net	169,100	-	-	169,100
Government grants and contract receivable	2,891,300	-	-	2,891,300
Pledges receivable, net	-	325,300	-	325,300
Other accounts receivable, net	681,700	-	-	681,700
Prepaid expenses	368,900	-	-	368,900
Contributions receivable from the Foundation	325,300	-	(325,300)	-
Total current assets	12,698,300	325,300	(325,300)	12,698,300
Long-term assets:				
Fixed assets, net	1,796,100	-	-	1,796,100
Investments for charitable gift annuities	1,716,600	-	-	1,716,600
Pledges receivable, net	-	85,400	-	85,400
Beneficial interest in trusts	2,116,600	-	-	2,116,600
Contributions receivable from the Foundation	85,400	-	(85,400)	-
Other assets	200,000	-	-	200,000
Total long-term assets	5,914,700	85,400	(85,400)	5,914,700
Total assets	\$ 18,613,000	\$ 410,700	\$ (410,700)	\$ 18,613,000
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 4,908,000	\$ -	\$ -	\$ 4,908,000
Accounts payable to affiliates	10,500	-	-	10,500
Contributions payable to Easter Seals, Inc.	-	410,700	(410,700)	-
Capital lease obligation	8,700	-	-	8,700
Note payable	1,000,000	-	-	1,000,000
Line of credit	2,907,600	-	-	2,907,600
Total current liabilities	8,834,800	410,700	(410,700)	8,834,800
Long-term liabilities:				
Accounts payable to affiliates	633,600	-	-	633,600
Charitable gift annuities	670,600	-	-	670,600
Deferred rent and other	3,118,500	-	-	3,118,500
Pension liability	10,830,300	-	-	10,830,300
Total long-term liabilities	15,253,000	-	-	15,253,000
Total liabilities	24,087,800	410,700	(410,700)	24,087,800
Net assets (deficit):				
Unrestricted:				
Available for operations	6,509,500	-	-	6,509,500
Net actuarial pension loss	(16,430,000)	-	-	(16,430,000)
	(9,920,500)	-	-	(9,920,500)
Temporarily restricted	2,607,800	-	-	2,607,800
Permanently restricted	1,837,900	-	-	1,837,900
Total net assets (deficit)	(5,474,800)	-	-	(5,474,800)
Total liabilities and net assets (deficit)	\$ 18,613,000	\$ 410,700	\$ (410,700)	\$ 18,613,000

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Financial Position December 31, 2016

	Easter Seals, Inc.	Easter Seals Foundation	Eliminations	Consolidated
Assets				
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)	-
Total current assets	14,414,400	776,500	(776,500)	14,414,400
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
Total long-term assets	10,500,100	4,011,000	(4,011,000)	10,500,100
Total assets	\$ 24,914,500	\$ 4,787,500	\$ (4,787,500)	\$ 24,914,500
Liabilities and Net Assets				
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
Total current liabilities	10,686,900	4,787,500	(4,787,500)	10,686,900
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
Total long-term liabilities	14,477,800	-	-	14,477,800
Total liabilities	25,164,700	4,787,500	(4,787,500)	25,164,700
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
Total net assets (deficit)	(250,200)	-	-	(250,200)
Total liabilities and net assets (deficit)	\$ 24,914,500	\$ 4,787,500	\$ (4,787,500)	\$ 24,914,500

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets Year Ended December 31, 2017

	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	\$ 31,680,400	\$ 3,100	\$ -	\$ 31,683,500	\$ 2,359,600	\$ 31,400	\$ -	\$ 2,391,000	\$ -	\$ 34,074,500
Transfer of Foundation contributions to Easter Seals, Inc.	3,100	(3,100)	-	-	31,400	(31,400)	-	-	-	-
Contributions from Easter Seals, Inc.	-	101,700	(101,700)	-	-	-	-	-	-	-
Change in value of split-interest agreements	(95,500)	-	-	(95,500)	138,900	-	-	138,900	35,300	78,700
Government grants	24,469,700	-	-	24,469,700	-	-	-	-	-	24,469,700
In-kind contributions	4,080,000	-	-	4,080,000	-	-	-	-	-	4,080,000
Total public support	60,137,700	101,700	(101,700)	60,137,700	2,529,900	-	-	2,529,900	35,300	62,702,900
Revenues:										
Membership fees from affiliates	3,592,600	-	-	3,592,600	-	-	-	-	-	3,592,600
Sales and services to affiliates	862,000	-	-	862,000	-	-	-	-	-	862,000
Government contract revenue	647,800	-	-	647,800	-	-	-	-	-	647,800
Investment returns	338,500	-	-	338,500	-	-	-	-	-	338,500
Net unrealized gain on perpetual trusts	-	-	-	-	-	-	-	-	117,000	117,000
Miscellaneous revenue	476,100	-	-	476,100	-	-	-	-	-	476,100
Net assets released from restrictions	3,125,800	-	-	3,125,800	(3,125,800)	-	-	(3,125,800)	-	-
Total revenues	9,042,800	-	-	9,042,800	(3,125,800)	-	-	(3,125,800)	117,000	6,034,000
Total public support and revenues	69,180,500	101,700	(101,700)	69,180,500	(595,900)	-	-	(595,900)	152,300	68,736,900
Expenses:										
Program services:										
Services for affiliates:										
Program development	24,506,800	-	-	24,506,800	-	-	-	-	-	24,506,800
Awards to Easter Seals Foundation	101,700	-	(101,700)	-	-	-	-	-	-	-
Professional education and training	3,528,000	-	-	3,528,000	-	-	-	-	-	3,528,000
Fundraising advisory	4,272,900	-	-	4,272,900	-	-	-	-	-	4,272,900
Management advisory	2,770,100	-	-	2,770,100	-	-	-	-	-	2,770,100
Total services for affiliates	35,179,500	-	(101,700)	35,077,800	-	-	-	-	-	35,077,800
Public health education	12,132,700	-	-	12,132,700	-	-	-	-	-	12,132,700
Advocacy for persons with disabilities and research	2,146,100	-	-	2,146,100	-	-	-	-	-	2,146,100
Total program services	49,458,300	-	(101,700)	49,356,600	-	-	-	-	-	49,356,600
Supporting services:										
Fundraising	15,366,100	101,700	-	15,467,800	-	-	-	-	-	15,467,800
Management and general	2,358,200	-	-	2,358,200	-	-	-	-	-	2,358,200
Total supporting services	17,724,300	101,700	-	17,826,000	-	-	-	-	-	17,826,000
Total operating expenses	67,182,600	101,700	(101,700)	67,182,600	-	-	-	-	-	67,182,600
Public support and revenues less operating expenses	1,997,900	-	-	1,997,900	(595,900)	-	-	(595,900)	152,300	1,554,300

(Continued)

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended December 31, 2017

	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	\$ (1,756,900)	\$ -	\$ -	\$ (1,756,900)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,756,900)
Loss on transfer of Dixon Center	(1,184,800)	-	-	(1,184,800)	(2,550,000)	-	-	(2,550,000)	-	(3,734,800)
Loss on write-off pledges receivable	-	-	-	-	(1,260,800)	-	-	(1,260,800)	(26,400)	(1,287,200)
Total nonoperating expenses	(2,941,700)	-	-	(2,941,700)	(3,810,800)	-	-	(3,810,800)	(26,400)	(6,778,900)
Change in net assets	(943,800)	-	-	(943,800)	(4,406,700)	-	-	(4,406,700)	125,900	(5,224,600)
Net assets (deficit), beginning of year	(8,976,700)	-	-	(8,976,700)	7,014,500	-	-	7,014,500	1,712,000	(250,200)
Net assets (deficit), end of year	<u>\$ (9,920,500)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,920,500)</u>	<u>\$ 2,607,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,607,800</u>	<u>\$ 1,837,900</u>	<u>\$ (5,474,800)</u>

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets Year Ended 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
Total public support	63,463,300	843,300	(843,300)	63,463,300	2,263,300	-	-	2,263,300	(64,100)	65,662,500
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)	-	-
Total revenues	12,788,600	-	-	12,788,600	(3,807,600)	-	-	(3,807,600)	3,400	8,984,400
Total public support and revenues	76,251,900	843,300	(843,300)	76,251,900	(1,544,300)	-	-	(1,544,300)	(60,700)	74,646,900
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
Total services for affiliates	33,307,300	23,500	(843,300)	32,487,500	-	-	-	-	-	32,487,500
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
Total program services	57,087,500	23,500	(843,300)	56,267,700	-	-	-	-	-	56,267,700
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
Total supporting services	17,744,300	819,800	-	18,564,100	-	-	-	-	-	18,564,100
Total operating expenses	74,831,800	843,300	(843,300)	74,831,800	-	-	-	-	-	74,831,800
Public support and revenues less operating expenses	1,420,100	-	-	1,420,100	(1,544,300)	-	-	(1,544,300)	(60,700)	(184,900)

(Continued)

Easter Seals, Inc. and Easter Seals Foundation

Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended 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)
Change in net assets	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	\$ (8,976,700)	\$ -	\$ -	\$ (8,976,700)	\$ 7,014,500	\$ -	\$ -	\$ 7,014,500	\$ 1,712,000	\$ (250,200)