

**Statement of Financial Position**

For 2011 Fiscal Year End

	<b>Domestic</b>	<b>International</b>	<b>2011 Total</b>
<b>Assets</b>			
Cash	\$ 93,299,467	\$ 23,695,516	\$ 116,994,983
Pledges, Notes & Accounts Receivable-Net	139,737,188	10,195,918	149,933,106
Inventories	8,181,397	2,266,430	10,447,827
Prepaid & Deferred Expenses	11,574,164	1,267,244	12,841,408
Investments, at Market Value	235,903,072	50,495,477	286,398,549
Property			
Land	64,573,627	11,122,799	75,696,426
Buildings, Equipment & Improvements	657,686,442	95,446,402	753,132,844
Accumulated Depreciation	(296,415,532)	(31,457,654)	(327,873,186)
Net Property	425,844,537	75,111,547	500,956,084
Assets Held in Trust	55,636,436	3,737,654	59,374,090
Other Assets	27,273,208	309,075	27,582,283
<b>Total Assets</b>	<b>997,449,469</b>	<b>167,078,861</b>	<b>1,164,528,330</b>
<b>Liabilities</b>			
Notes & Accounts Payable	67,028,168	14,098,146	81,126,314
Accrued Expenses	56,347,958	8,403,988	64,751,946
Long-Term Notes Payable	190,693,907	3,013,365	193,707,272
Pension Liabilities - Net	19,391,994	371,009	19,763,003
Other Liabilities	33,210,282	46,749,129	79,959,411
<b>Total Liabilities</b>	<b>366,672,309</b>	<b>72,635,637</b>	<b>439,307,946</b>
<b>Net Assets</b>			
Unrestricted			
For Current Operations	416,799,146	78,867,061	495,666,207
Designated for Specific Purposes	70,094,216	6,160,412	76,254,628
Translation Adjustment	-	8,036,087	8,036,087
Total Unrestricted	486,893,362	93,063,560	579,956,922
Temporarily Restricted	65,174,359	-	65,174,359
Permanently Restricted	78,709,439	1,379,664	80,089,103
<b>Total Net Assets</b>	<b>630,777,160</b>	<b>94,443,224</b>	<b>725,220,384</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 997,449,469</b>	<b>\$ 167,078,861</b>	<b>\$ 1,164,528,330</b>

## Notes to Financial Statements

For 2011 Fiscal Year End

### NATURE OF THE ORGANIZATION

Easter Seals (the Organization) is a not-for-profit organization comprised of its headquarters and 84 intermediary health care agencies (affiliates) providing services to individuals with disabilities throughout the United States, Puerto Rico, Australia, Canada, and Mexico. The mission of the Organization is to continue to be the leading organization in helping children and adults with disabilities to live with equality, dignity, and independence. Headquarters and the affiliates are separately incorporated and exempt from taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code in the United States, Section 50-5 of the Income Tax Assessment Act of 1997 in Australia, as Registered Charities of the Income Tax Act in Canada, and Mexican National Registry of Non-Profit Civil Society Organizations in Mexico.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Combination

Each affiliate is a separately incorporated entity that has its own independent Board of Directors, maintains its own separate accounts, and retains its own independent audit firm. The combined, unaudited financial statements are compiled from the uniform, audited financial reports of the Organization and its affiliates. All intra-organizational accounts and transactions have been eliminated in the accompanying financial statements.

#### Basis of Accounting

Combined financial statements, prepared on the accrual basis, incorporate the requirements of the Financial Accounting Standards Board, which requires the Organization to classify its financial position and activities in accordance with donor-imposed restrictions, as follows:

*Unrestricted* – transactions that are not subject to donor-imposed restrictions or whose donor-imposed restrictions have expired

*Temporarily restricted* – transactions that are subject to donor-imposed restrictions that can be satisfied by actions of the Organization or by the passage of time

*Permanently restricted* – transactions subject to donor restrictions requiring that they be maintained permanently by the Organization; generally, these transactions allow the use of part or all of the income earned on related, restricted investments

#### Investments

Investments in the accompanying combined statement of financial position are stated at fair market value. Realized and unrealized gains and losses are reflected in the combined statement of activities.

#### Pledges Receivable

The Organization has pledges receivable from individuals and corporate entities. Pledges receivable are recorded in the period when the pledges were made as contributions under public support. Pledges to be collected at a future date are recorded at the present value of cash to be received and classified as increases to temporarily restricted net assets. Pledges are released from temporarily restricted support to unrestricted support when the time or purpose restrictions have been met.

#### Property

Purchased buildings, equipment, and improvements are stated at cost. Donated property is recorded at the fair market value at date of receipt. Depreciation and amortization is provided primarily on the straight-line method based on the estimated useful life of the asset ranging from 3 to 40 years.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Donated Goods and Services

The Organization records in-kind support for various professional services and materials received. Contributed professional services are recognized if the services received create or enhance long-lived assets, or are provided by individuals possessing specialized skills that would otherwise need to be purchased if not provided by donation.

#### International Operations

The Organization includes international entities from Australia, Canada, and Mexico. Financial results of international entities have been included into the combined financial reports. Revenues and expenses are independently displayed from domestic revenues and expenses on the combined Statement of Activities. The combined Statement of Financial Position displays international results in a column that is separate from domestic results.

## Statement of Activities and Change in Net Assets

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
<b>Operating</b>				
Public Support:				
Contributions	\$ 47,923,700	\$ 2,983,200	\$ 1,014,900	\$ 51,921,800
Special Events	34,800	-	-	34,800
Change in Value of Split Interest Agreements	(57,400)	(5,600)	12,100	(50,900)
Government Grants	27,000,400	-	-	27,000,400
In-Kind Contributions	5,758,600	-	-	5,758,600
<b>Total Public Support</b>	<b>80,660,100</b>	<b>2,977,600</b>	<b>1,027,000</b>	<b>84,664,700</b>
Revenues:				
Membership Fees from Affiliates	3,304,700	-	-	3,304,700
Sales & Services to Affiliates	1,098,800	-	-	1,098,800
Investment (Loss) Return	(523,200)	-	-	(523,200)
Miscellaneous Revenue	3,579,100	-	-	3,579,100
Net Assets Released from Restrictions	1,406,700	(1,406,700)	-	-
<b>Total Revenues</b>	<b>8,866,100</b>	<b>(1,406,700)</b>	<b>-</b>	<b>7,459,400</b>
<b>Total Public Support &amp; Revenues</b>	<b>89,526,200</b>	<b>1,570,900</b>	<b>1,027,000</b>	<b>92,124,100</b>
Expenses:				
Program Services:				
Services for Affiliates:				
Program Development	37,299,700	-	-	37,299,700
Professional Education & Training	4,102,200	-	-	4,102,200
Fundraising Advisory	5,707,600	-	-	5,707,600
Management Advisory	3,584,400	-	-	3,584,400
Total Services for Affiliates	50,693,900	-	-	50,693,900
Public Health Education	18,513,800	-	-	18,513,800
Advocacy for Persons with Disabilities & Research	3,600,700	-	-	3,600,700
<b>Total Program Services</b>	<b>72,808,400</b>	<b>-</b>	<b>-</b>	<b>72,808,400</b>
Supporting Services:				
Fundraising	15,472,600	-	-	15,472,600
Management & General	3,196,900	-	-	3,196,900
<b>Total Supporting Services</b>	<b>18,669,500</b>	<b>-</b>	<b>-</b>	<b>18,669,500</b>
<b>Total Operating Expenses</b>	<b>91,477,900</b>	<b>-</b>	<b>-</b>	<b>91,477,900</b>
<b>Public Support &amp; Revenues in Excess of Operating Expenses</b>	<b>(1,951,700)</b>	<b>1,570,900</b>	<b>1,027,000</b>	<b>646,200</b>
<b>Nonoperating</b>				
Pension Liability Adjustments Other Than Net Periodic Benefit Cost	(4,114,200)	-	-	(4,114,200)
<b>Change In Net Assets</b>	<b>(6,065,900)</b>	<b>1,570,900</b>	<b>1,027,000</b>	<b>(3,468,000)</b>
Net Assets, Beginning of Year	3,101,800	1,926,700	524,900	5,553,400
Net Assets, End of Year	\$ (2,964,100)	\$ 3,497,600	\$ 1,551,900	\$ 2,085,400

See Notes to Financial Statements.

## Statement of Financial Position

December 31, 2011

	<b>2011</b>
<b>Assets</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 563,500
Investments	14,778,700
Accounts Receivable from Affiliates, Less Allowance of 2011 \$140,000	367,800
Government Grants Receivable	2,112,600
Pledges Receivable, Net	967,100
Other Accounts Receivable, Less Allowance of 2011 \$13,000	1,506,700
Prepaid Expenses	486,700
<b>Total Current Assets</b>	<b>20,783,100</b>
Long-Term Assets:	
Fixed Assets, Net	914,100
Investments for Charitable Gift Annuities	1,402,000
Pledges Receivable, Net	881,100
Beneficial Interest in Lead Trust	444,000
Beneficial Interest in Remainder Trust	938,800
Perpetual Trusts	1,014,600
<b>Total Long-Term Assets</b>	<b>5,594,600</b>
<b>Total Assets</b>	<b>\$ 26,377,700</b>
<b>Liabilities &amp; Net Assets</b>	
Current Liabilities:	
Accounts Payable & Accrued Liabilities	\$ 6,900,900
Accounts Payable to Affiliates	1,882,100
Capital Lease Obligation	49,100
Line of Credit	2,382,400
Note Payable	575,000
<b>Total Current Liabilities</b>	<b>11,789,500</b>
Long-Term Liabilities:	
Capital Lease Obligation	67,800
Accounts Payable to Affiliates	380,500
Charitable Gift Annuities	756,900
Deferred Rent & Other	666,800
Note Payable	3,154,000
Pension Liability	7,476,800
<b>Total Long-Term Liabilities</b>	<b>12,502,800</b>
<b>Total Liabilities</b>	<b>24,292,300</b>
Net Assets:	
Unrestricted	(2,964,100)
Temporarily Restricted	3,497,600
Permanently Restricted	1,551,900
<b>Total Net Assets</b>	<b>2,085,400</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 26,377,700</b>

## Notes to Financial Statements

December 31, 2011

Easter Seals, Inc. is the headquarters of Easter Seals (the Organization). Easter Seals, Inc. 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.

Cash and cash equivalents include highly liquid short-term investments with maturities of 90 days or less from the date of purchase.

Investments are in marketable securities and 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.

Easter Seals, Inc. has an available \$6,000,000 bank line of credit. Borrowings outstanding under the line are due on demand and are collateralized by certain unrestricted investments. Easter Seals, Inc. had \$2,382,400 outstanding under this line of credit as of December 31, 2011. The interest rate options are the bank's prime rate less 1.25% or LIBOR plus 1.5%. Easter Seals, Inc. had selected the LIBOR rate option. The weighted average interest rate on the line of credit for the reporting period was 1.99%.

Easter Seals, Inc. has a \$4,600,000 long-term note payable from the same commercial bank, which is due in quarterly principal installments of \$143,750 plus interest at 2.87% through January 15, 2017. The note is collateralized by certain unrestricted investments held by Easter Seals Inc. The balance of the term loan was \$3,729,000 at December 31, 2011.

The net assets of Easter Seals, Inc. are reported as unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets are composed of all resources not included in restricted net assets. Included are 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, Inc. 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.

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

Operating expenses for Easter Seals, Inc. are presented in the statement of activities on a functional basis. 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 directed to affiliates to provide services for children and adults with autism and other disabilities through their centers. Primary services are medical rehabilitation, job training and employment, inclusive child care, adult day services, and camping and recreation. Building from its 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.

**Fund-raising Advisory:** Training and consultation with 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.

## Notes to Financial Statements, *continued*

Year Ended December 31, 2011

**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 non-profit; finance and accounting, budgeting, strategic planning and personnel selection.

**Advocacy with and for Persons with Disabilities:** Activities to assure equal access and opportunities for people with disabilities.

**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.

**Research:** 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.