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State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

LINDA M. HODGDON
Commissioner
(603) 271-3201

JOSEPH B. BOUCHARD
Assistant Commissioner
(603) 271-3204

December 2, 2013

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Authorize the Department of Administrative Services to enter into a contract with Easter Seals New Hampshire, Inc., Manchester, New Hampshire, vendor code 177204, to provide an employee shuttle service for state employees who work in the State House complex. The total amount of the contract shall not exceed \$65,531.25. This contract shall begin on January 2, 2014 and end on June 30, 2015. **100% General Funds**

Funding is available in account titled Administrative Services as follows:

01-14-14-140010-1302 Special Disbursements

<u>FY14</u>	103-502664	Contracts for Operational Service	\$32,437.50
<u>FY 15</u>	103-502664	Contracts for Operational Service	<u>\$33,093.75</u>

Contract Total **\$65,531.25**

EXPLANATION

The General Court appropriated funding in the FY 14-15 biennium to provide an employee shuttle service for state employees that work at the State House Complex. The shuttle will provide service from the central parking lot at the Department of Transportation building on Stickney Avenue to the State House, State House Annex, Department of Justice, State Library and Legislative Office building. The shuttle will run during the legislative session from 6:45 to 8:45 in the morning and in the afternoons from 3:30 to 5:30 PM.

The Request for bids was placed on the Bureau of Purchasing web site and advertised in a statewide newspaper. We received one bid from Easter Seals New Hampshire, Inc.

Respectfully submitted,

Linda M. Hodgdon
Commissioner

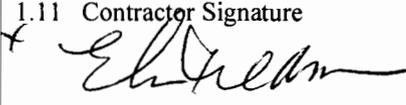
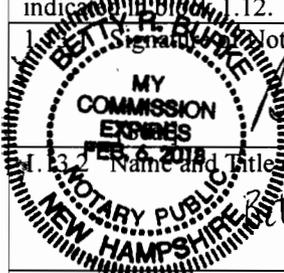
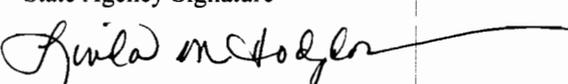
Subject: State Employee Shuttle, State House Complex

AGREEMENT

The State of New Hampshire and the Contractor hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION.

1.1 State Agency Name Administrative Services		1.2 State Agency Address 25 Capital Street, Room 106B Concord, NH 03301	
1.3 Contractor Name * EASTER SEALS NEW HAMPSHIRE, INC.		1.4 Contractor Address * 555 AUBURN ST., MANCHESTER NH 03103	
1.5 Contractor Phone Number	1.6 Account Number 01-14-14-140010-1302-103	1.7 Completion Date June 30, 2015	1.8 Price Limitation \$65,531.25
1.9 Contracting Officer for State Agency Michael P. Connor		1.10 State Agency Telephone Number (603) 271-6899	
1.11 Contractor Signature * 		1.12 Name and Title of Contractor Signatory * ELIN TREANOR, CFO	
1.13 Acknowledgement: State of <u>New Hampshire</u> County of <u>Hillsborough</u> On <u>December 2, 2013</u> , before the undersigned officer, personally appeared the person identified in block 1.12, or satisfactorily proven to be the person whose name is signed in block 1.11, and acknowledged that s/he executed this document in the capacity indicated in block 1.12.			
1.14 Notary Public or Justice of the Peace  Betty R. Burke			
1.15 Name and Title of Notary or Justice of the Peace Betty R. Burke, Notary			
1.14 State Agency Signature 		1.15 Name and Title of State Agency Signatory Linda M. Hodgdon, Commissioner Department of Administrative Services	
1.16 Approval by the N.H. Department of Administration, Division of Personnel (if applicable) By: _____ Director, On: _____			
1.17 Approval by the Attorney General (Form, Substance and Execution) By: G.K. Brown On: 12/5/13			
1.18 Approval by the Governor and Executive Council By: _____ On: _____			

8. EVENT OF DEFAULT/REMEDIES.

8.1 Any one or more of the following acts or omissions of the Contractor shall constitute an event of default hereunder (“Event of Default”):

- 8.1.1 failure to perform the Services satisfactorily or on schedule;
- 8.1.2 failure to submit any report required hereunder; and/or
- 8.1.3 failure to perform any other covenant, term or condition of this Agreement.

8.2 Upon the occurrence of any Event of Default, the State may take any one, or more, or all, of the following actions:

- 8.2.1 give the Contractor a written notice specifying the Event of Default and requiring it to be remedied within, in the absence of a greater or lesser specification of time, thirty (30) days from the date of the notice; and if the Event of Default is not timely remedied, terminate this Agreement, effective two (2) days after giving the Contractor notice of termination;
- 8.2.2 give the Contractor a written notice specifying the Event of Default and suspending all payments to be made under this Agreement and ordering that the portion of the contract price which would otherwise accrue to the Contractor during the period from the date of such notice until such time as the State determines that the Contractor has cured the Event of Default shall never be paid to the Contractor;
- 8.2.3 set off against any other obligations the State may owe to the Contractor any damages the State suffers by reason of any Event of Default; and/or
- 8.2.4 treat the Agreement as breached and pursue any of its remedies at law or in equity, or both.

9. DATA/ACCESS/CONFIDENTIALITY/PRESERVATION.

9.1 As used in this Agreement, the word “data” shall mean all information and things developed or obtained during the performance of, or acquired or developed by reason of, this Agreement, including, but not limited to, all studies, reports, files, formulae, surveys, maps, charts, sound recordings, video recordings, pictorial reproductions, drawings, analyses, graphic representations, computer programs, computer printouts, notes, letters, memoranda, papers, and documents, all whether finished or unfinished.

9.2 All data and any property which has been received from the State or purchased with funds provided for that purpose under this Agreement, shall be the property of the State, and shall be returned to the State upon demand or upon termination of this Agreement for any reason.

9.3 Confidentiality of data shall be governed by N.H. RSA chapter 91-A or other existing law. Disclosure of data requires prior written approval of the State.

10. TERMINATION. In the event of an early termination of this Agreement for any reason other than the completion of the Services, the Contractor shall deliver to the Contracting Officer, not later than fifteen (15) days after the date of termination, a report (“Termination Report”) describing in detail all Services performed, and the contract price earned, to and including the date of termination. The form, subject matter, content, and number of copies of the Termination

Report shall be identical to those of any Final Report described in the attached EXHIBIT A.

11. CONTRACTOR’S RELATION TO THE STATE. In the performance of this Agreement the Contractor is in all respects an independent contractor, and is neither an agent nor an employee of the State. Neither the Contractor nor any of its officers, employees, agents or members shall have authority to bind the State or receive any benefits, workers’ compensation or other emoluments provided by the State to its employees.

12. ASSIGNMENT/DELEGATION/SUBCONTRACTS. The Contractor shall not assign, or otherwise transfer any interest in this Agreement without the prior written consent of the N.H. Department of Administrative Services. None of the Services shall be subcontracted by the Contractor without the prior written consent of the State.

13. INDEMNIFICATION. The Contractor shall defend, indemnify and hold harmless the State, its officers and employees, from and against any and all losses suffered by the State, its officers and employees, and any and all claims, liabilities or penalties asserted against the State, its officers and employees, by or on behalf of any person, on account of, based or resulting from, arising out of (or which may be claimed to arise out of) the acts or omissions of the Contractor. Notwithstanding the foregoing, nothing herein contained shall be deemed to constitute a waiver of the sovereign immunity of the State, which immunity is hereby reserved to the State. This covenant in paragraph 13 shall survive the termination of this Agreement.

14. INSURANCE.

14.1 The Contractor shall, at its sole expense, obtain and maintain in force, and shall require any subcontractor or assignee to obtain and maintain in force, the following insurance:

14.1.1 comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$2,000,000 per occurrence; and

14.1.2 fire and extended coverage insurance covering all property subject to subparagraph 9.2 herein, in an amount not less than 80% of the whole replacement value of the property.

14.2 The policies described in subparagraph 14.1 herein shall be on policy forms and endorsements approved for use in the State of New Hampshire by the N.H. Department of Insurance, and issued by insurers licensed in the State of New Hampshire.

14.3 The Contractor shall furnish to the Contracting Officer identified in block 1.9, or his or her successor, a certificate(s) of insurance for all insurance required under this Agreement. Contractor shall also furnish to the Contracting Officer identified in block 1.9, or his or her successor, certificate(s) of insurance for all renewal(s) of insurance required under this Agreement no later than fifteen (15) days prior to the expiration date of each of the insurance policies. The certificate(s) of insurance and any renewals thereof shall be

EXHIBIT "A"

1. The Contractor shall provide "employee shuttle service" from the Department of Transportation building located on Stickney Avenue in Concord, New Hampshire to the pick up and drop off locations for the State House Complex consisting of the State House, State House Annex, Department of Justice, State Library and Legislative Office Building in Concord, New Hampshire.
2. The term of this contract shall be for a two year period beginning on January 2, 2014 and ending on June 30, 2015. The shuttle service shall run during the legislative session from January 2, 2014 through June 30, 2014 (125 working days) and from January 2, 2015 through June 30, 2015 (125 working days). The shuttle service shall run during the weekdays during the Legislative Session.
3. The term, "employee shuttle service", as used above shall include providing all supervision, materials, equipment, labor and transportation necessary to provide the required level of services as described herein.
4. The Contractor shall provide the employee shuttle service with a minimum of two (2) 12 passenger vehicles. The Contractor shall pay for the entire cost of insurance, registration and maintenance and shall provide a replacement vehicle in the event of a breakdown of one of the primary vehicles.
5. The Contractor shall provide professional drivers who shall maintain proper operating licenses, pass a Department of Transportation physical, and pass a background check which shall include a full criminal and driving record background check.
6. The Contractor shall fully comply with the American with Disabilities Act and any state laws and regulations governing accessibility for disabled persons. In the event that accessible transportation is required, the Contractor shall make reasonable accommodation by deploying an accessible vehicle as needed. The Contractor shall have an accessible vehicle on stand by to provide the required service.
7. The Contractor shall provide full dispatch and management services.
8. The Contractor shall provide transportation to all authorized state employees. Transportation shall be to the areas described herein.
9. The shuttle service shall operate with designated pick up and drop off spots identified by the State. Vehicles shall load to capacity with no standees on first-come, first served basis. In the event that capacity is not reached and no passengers are waiting for service, vehicles will proceed to their destination. Vehicles will maintain a minimum waiting period of five minutes at the designated pick up locations in the morning peak time and at the designated pick up lot in the afternoon peak time.

EXHIBIT "B"

1. The Contractor shall receive payment in the amount of \$86.50 per hour for a not to exceed price of \$32,437.50 for the period commencing on January 2, 2014 until June 30, 2014, and \$88.25 per hour for a not to exceed price of \$33,093.75 for the period commencing January 2, 2015 until June 30, 2015 (herein after referred to as the contract price) in return for the services described in Exhibit "A."
3. The Contractor shall be paid the hourly rates detailed above for the actual hours they provide employee shuttle services not to exceed three hours per day as described herein. This hourly rate shall include all expenses. No additional fees shall be allowed. Unless approved in advance by the Contracting Officer, the Contractor shall be paid for the hours of operation as described in Exhibit A. The Contractor shall not be paid for any travel time or mileage from the main headquarters to either Stickney Avenue or the State House complex.
4. The Contractor shall invoice the State monthly at the end of each month for services rendered.
5. Payment will be made within thirty (30) days following receipt of invoice and acceptance of the work to the State's satisfaction. Said payment shall be made by means of a check mailed to the address in Paragraph 1.4 of this contract.

EXHIBIT "C"

SPECIAL PROVISIONS

1. Delete Paragraph 14.1.1 and substitute the following: comprehensive general liability insurance against all claims of bodily injury, death or property damage, in amounts of not less than \$250,000 per claim and \$1,000,000 per incident and no less than \$1,000,000 in excess/umbrella liability each occurrence; and
2. There are no other special provisions of this contract.

Page 8 of 8

Contractor Initials

Date

ET
12/12/2013



CERTIFICATE OF VOTE / AUTHORIZATION

I, Betty Burke, do hereby certify that:

1. I am the duly elected Assistant Secretary of Easter Seals New Hampshire, Inc.
2. The following is a true copy of a resolution duly adopted at a meeting of the Board of Directors of the Corporation duly held on May 22, 2013.

RESOLVED: To authorize the president, chief operating officer/chief financial officer, vice president of finance, senior vice president of human resources and the legal counsel of the corporation, or any one of them acting alone, to execute contracts, leases and documents, which have been approved in accordance with the policies of the corporation and its fiscal authorities adopted by the board of directors and to include within that authority Easter Seals New York, Inc., Easter Seals Maine, Inc., Easter Seals Rhode Island, Inc., Easter Seals Connecticut/dba Coastal Fairfield County, Manchester Alcoholism Rehabilitation Center (Farnum Center), Webster Place Center, Inc., Special Transit Services, Inc. or Agency Realty, Inc.

3. I further certify that Elin Treanor is the CFO of Easter Seals New Hampshire, Inc., and *all* its subsidiaries, and is still qualified and serving in such capacity.
4. The foregoing resolution has not been amended or revoked and remains in full force and effect as of December 2, 2013.

Betty Burke
Assistant Secretary

The foregoing instrument was acknowledged before me this 2nd day of December 2013.

Wendy M. Boelee
Notary Public WENDY M. BOELEE, Notary Public
My Commission Expires: Oct. 21, 2014

State of New Hampshire Department of State

CERTIFICATE

I, William M. Gardner, Secretary of State of the State of New Hampshire, do hereby certify that Easter Seals New Hampshire, Inc. is a New Hampshire nonprofit corporation formed November 6, 1967. I further certify that it is in good standing as far as this office is concerned, having filed the return(s) and paid the fees required by law.



In TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed the Seal of the State of New Hampshire, this 2nd day of December A.D. 2013

A handwritten signature in cursive script, appearing to read "William M. Gardner".

William M. Gardner
Secretary of State

Client#: 497072

EASTESEA7

ACORDTM

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

11/27/2013

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER USI Insurance Services LLC PO Box 6360 Manchester, NH 03108-6360 603 625-1100	CONTACT NAME: PHONE (A/C, No, Ext): 603 625-1100 FAX (A/C, No): E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE NAIC # INSURER A : Philadelphia Insurance Company 23850 INSURER B : INSURER C : INSURER D : INSURER E : INSURER F :	
INSURED Easter Seals NH, Inc. Easter Seals NY, Inc. 555 Auburn Street Manchester, NH 03103		

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Professional Liab GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC			PHPK1068435	09/01/2013	09/01/2014	EACH OCCURRENCE	\$1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	\$100,000
							MED EXP (Any one person)	\$5,000
							PERSONAL & ADV INJURY	\$1,000,000
							GENERAL AGGREGATE	\$3,000,000
							PRODUCTS - COMP/OP AGG	\$3,000,000
								\$
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			PHPK1068435	09/01/2013	09/01/2014	COMBINED SINGLE LIMIT (Ea accident)	\$1,000,000
							BODILY INJURY (Per person)	\$
							BODILY INJURY (Per accident)	\$
							PROPERTY DAMAGE (Per accident)	\$
								\$
A	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$10,000			PHUB432951	09/01/2013	09/01/2014	EACH OCCURRENCE	\$15,000,000
							AGGREGATE	\$15,000,000
								\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> Y/N <input checked="" type="checkbox"/> N/A (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						WC STATU-TORY LIMITS	OTH-ER
							E.L. EACH ACCIDENT	\$
							E.L. DISEASE - EA EMPLOYEE	\$
							E.L. DISEASE - POLICY LIMIT	\$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
****Supplemental Names**:** Easter Seals NY, Inc., Easter Seals ME, Inc., STS, Inc., Agency Realty, Inc., Easter Seals Rhode Island, Inc., The Harbor Schools, Inc., Manchester Alcohol Rehabilitation Center, Inc., dba The Farnum Center, Easter Seals VT, Inc., Easter Seals CT, Inc., Webster Place Center, Inc., - The General Liability policy includes a blanket automatic Additional Insured endorsement that provides Additional Insured and a Blanket Waiver of Subrogation status to the Certificate holder, only when there is (See Attached Descriptions)

CERTIFICATE HOLDER Mike Connor or successor Dept. of Administrative Services State of NH 25 Capitol Street Concord, NH 03301	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE 
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DESCRIPTIONS (Continued from Page 1)

a written contract or written agreement between the named insured and the certificate holder that requires such status, and only with regard to the above referenced on behalf of the named insured. The General Liability policy contains a special endorsement with "Primary and Non-Contributory" wording.

RE: Concord Shuttle Service

Chairman**Jim Bee**, CIMA

Senior Vice President
Morgan Stanley Smith Barney
28 State Street
Boston, MA
tel: 626-9764
j1mbee@aol.com

Past Chairman**Richard Rawlings**, Mng. Prtmr (Ret)

Northwestern Mutual Life
1779 Elm St.
Manchester NH 03104
tel: 668-8862
dick.rawlings@nmfn.com

Secretary**Renee Walsh**, Owner

Worksite Solutions
PO Box 10695
Bedford NH 03110
tel: 472-7384
renmarwal@myfairpoint.net

Assistant Secretary**Tom Sullivan**, President

Sullivan Construction, Inc.
258 S. River Rd.
Bedford NH 03110
tel: 647-1777
tsullivan@sullivanconstruction.com

Chairman - ME**Dennis Brown**

39 Pond Villa
Windham, ME 04062
Tel: 207-894-5427
dennis@drbrownllc.com

Chairman - NY**Joe DiChiara**, Mngr.

Energy Nuclear Operations, Inc.
440 Hamilton Ave.
White Plains NY 10601
tel: 914-272-3302
jdichia@entergy.com

Chairman - Farnum Center**Peter Anderson**, Director

McLane Graf Raulerson & Middleton
900 Elm St.
Manchester NH 03101
tel: 628-1410
peter.anderson@mcclane.com

Chairman - RI**Tracey Colucci**, Sales Associate

Century 21 Access America
1025 Tiogue Avenue
Coventry, RI 02816
Tel: 401-828-2100
tracey.colucci@century21.com

Chairman - CT**Wiley Mullins**, Owner

Uncle Wiley's
538 Judd Road
Easton CT 06612
tel: 203-259-1084
wiley@unclewileys.com

Vice Chairman - VT**Sally Garmon**

6 College Hill
Woodstock VT 05091
tel: (802) 295-5592
sally.garmon@ahs.state.vt.us

Chairman - Webster Place**Charles Clarkson**,

PO Box 142
Plymouth NH 03264
Tel: 978-886-5832
charlesgclarkson@yahoo.com

Lori Levesque, Supervisor

Customer Experience
PSNH
73 W. Brook St.
Manchester NH 03101
tel: 634-3521
levesfm@nu.com

Barry LaBombarde

180 Tower Hill Rd.
Hinsdale NH 03451
tel: 336-7372
barry180@myfairpoint.net

Aron Brown, Broker

Americorp Real Estate Svs.
80 Palomino Lane Ste. 402
Bedford NH 03110
tel: 625-8500
aron@americorpnh.com

John Madden, President

JCM Management Co., Inc.
540 N. Commercial St.
Manchester NH 03101
tel: 668-5155
jcmadden@jcmmanagement.com

Bill Irwin, Vice President

Irwin Marine
958 Union Ave.
Laconia NH 03246
tel: 524-6661
billirwin@irwinmarine.com

Timm Runnion, CEO

Mobility Services International
One Liberty Lane East
Hampton, NH, 03842
Tel: 274-9102
timm.runnion@msimobility.com

Michael Salter

82 Mack Hill Rd.
Amherst NH 03031
tel: 673-0678
msalter23@aol.com

Treasurer**Andrew MacWilliam**, Partner

Pricewaterhouse Coopers LLP
125 High Street
Boston MA 02110
tel: 617-530-4098
andrew.macwilliam@us.pwc.com

Assistant Treasurer**Tim Murray**, President

Crossroads Insurance Answers
239 Gould Hill Road
Hopkinton NH 03229
Tel: 566-8396
Tmurray.cia@gmail.com

John Rogers, Vice President
UGL Services - Unico Operations
275 Grove St.
Auburndale MA 02466
tel: 617-559-4206
jrogers@ugl-unico.com

Dennis Beaulieu
61 Barnard Hill Rd.
Dumbarton NH 03046
tel: 774-3264
dbeaulieu@gsinet.net

Cynthia Makris, President

Naswa Resort
1086 Weirs Blvd.
Laconia NH 03246
Tel: 366-5071
cmakris116@aol.com

Fred Urtz, President
Lavallee/Brensinger
155 Dow St. Ste. 400
Manchester NH 03101
Tel: 622-5450
fred.urtz@lbpa.com

Eleanor Dahar, Esq.
Victor W. Dahar, PA
20 Merrimack Street
Manchester NH 03101
Tel: 622-6595
edahar@att.net

Charles S. Goodwin
433 North Bay St.
Manchester NH 03104
tel: 622-2323
csgoodwin13@gmail.com

Doris Duhamel-Labbe President
Market My Property, LLC
31 Farrwood Drive
Hooksett NH 03106
Tel: 261-6450
doris@marketmyproperty.com

Ann-Marie Forrester
Northwestern Financial Network
1000 Elm Street 12th Flr.
Manchester NH 03101
Tel: 206-6029
annmarie.forrester@nmfn.com

Matthew Boucher, COO
AirMar Technology Corp.
35 Meadowbrook Drive
Milford NH 03055
Tel: 673-9570
mboucher@airmar.com

Charles Panasis, Director
Commercial Properties
Brady Sullivan Properties
670 Commercial Street
Manchester NH 03101
Tel: 622-6223
cpanasis@bradysullivan.com

Sue MacDermott
Psychotherapist
82 Palomino Lane Ste. 521
Bedford NH 03310
Tel: 296-0021
suemacdermott@myfairpoint.net

General Counsel & Assistant Secretary
(non voting member)
Bradford Cook, Esq.
Sheehan Phinney Bass + Green
1000 Elm St.
Manchester NH 03101
tel: 627-8110
bcook@sheehan.com

BAKER | NEWMAN | NOYES

Certified Public Accountants

**Easter Seals New Hampshire, Inc.
and Subsidiaries**

Consolidated Financial Statements and
Other Financial Information

*Years Ended August 31, 2012 and 2011
With Independent Auditors' Report*

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION**

For the Years Ended August 31, 2012 and 2011

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BAKER NEWMAN NOYES

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Easter Seals New Hampshire, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of financial position of Easter Seals New Hampshire, Inc. and Subsidiaries (Easter Seals NH) as of August 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of Easter Seals NH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Easter Seals NH's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Easter Seals New Hampshire, Inc. and Subsidiaries as of August 31, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2012 on our consideration of Easter Seals New Hampshire, Inc. and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Board of Directors
Easter Seals New Hampshire, Inc. and Subsidiaries

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information identified in the contents is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Manchester, New Hampshire
December 12, 2012

Baker Newman & Noyes
Limited Liability Company

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,402,187	\$ 5,017,529
Accounts receivable from affiliates	441,980	223,162
Program and other accounts receivable, less contractual allowance of \$131,500 in 2012 and \$219,900 in 2011, and allowance for doubtful accounts of \$395,000 in 2012 and \$1,041,500 in 2011	9,321,570	10,226,883
Contributions receivable, less allowance for doubtful accounts of \$25,000 in 2012 and \$25,600 in 2011	491,729	319,711
Current portion of assets limited as to use	458,005	842,144
Prepaid expenses and other current assets	<u>1,304,173</u>	<u>1,074,366</u>
Total current assets	16,419,644	17,703,795
Assets limited as to use, net of current portion	5,017,773	5,799,466
Fixed assets, net	25,132,481	25,368,864
Property held for sale	910,171	505,256
Bond issuance costs, net	254,390	290,808
Investments, at fair value	13,005,757	11,811,775
Beneficial interest in trusts held by others and other assets	<u>6,620,011</u>	<u>5,252,717</u>
	<u>\$67,360,227</u>	<u>\$66,732,681</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Lines of credit	\$ 1,982,604	\$ 648,463
Accounts payable	2,630,935	3,613,387
Accrued expenses	4,362,192	3,731,257
Accounts payable to affiliates	-	314,557
Rate reserves	435,008	1,091,579
Current portion of deferred revenue	1,757,283	1,374,854
Current portion of interest rate swap agreements	734,470	726,083
Current portion of long-term debt	<u>746,716</u>	<u>774,891</u>
Total current liabilities	12,649,208	12,275,071
Deferred revenue, net of current portion	3,778,487	3,867,560
Other liabilities	1,168,659	1,151,944
Interest rate swap agreements, less current portion	4,401,508	3,315,362
Long-term debt, less current portion	<u>22,923,934</u>	<u>24,530,741</u>
Total liabilities	44,921,796	45,140,678
Net assets:		
Unrestricted	11,937,759	11,503,651
Temporarily restricted	598,750	594,327
Permanently restricted	<u>9,901,922</u>	<u>9,494,025</u>
Total net assets	<u>22,438,431</u>	<u>21,592,003</u>
	<u>\$67,360,227</u>	<u>\$66,732,681</u>

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 1,529,794	\$ 370,723	\$ 62,323	\$ 1,962,840
Special events, net of related direct costs of \$618,599	1,114,326	71,451	-	1,185,777
Annual campaigns, net of related direct costs of \$79,441	445,604	32,367	-	477,971
Bequests	127,761	-	-	127,761
Net assets released from restrictions	<u>482,671</u>	<u>(482,671)</u>	<u>-</u>	<u>-</u>
Total public support	3,700,156	(8,130)	62,323	3,754,349
Revenue:				
Fees and grants from governmental agencies	64,356,494	-	-	64,356,494
Other fees and grants	26,783,639	-	-	26,783,639
Sales to public	4,057,412	-	-	4,057,412
Dividend and interest income	680,465	3,635	-	684,100
Rental income	140,373	-	-	140,373
Other	<u>642,262</u>	<u>-</u>	<u>-</u>	<u>642,262</u>
Total revenue	<u>96,660,645</u>	<u>3,635</u>	<u>-</u>	<u>96,664,280</u>
Total public support and revenue	100,360,801	(4,495)	62,323	100,418,629
Operating expenses:				
Program services:				
Public health education	595,634	-	-	595,634
Professional education	22,251	-	-	22,251
Direct services	<u>88,415,347</u>	<u>-</u>	<u>-</u>	<u>88,415,347</u>
Total program services	89,033,232	-	-	89,033,232
Supporting services:				
Management and general	8,700,472	-	-	8,700,472
Fundraising	<u>1,882,355</u>	<u>-</u>	<u>-</u>	<u>1,882,355</u>
Total supporting services	<u>10,582,827</u>	<u>-</u>	<u>-</u>	<u>10,582,827</u>
Total functional expenses	99,616,059	-	-	99,616,059
Support of National programs	<u>134,887</u>	<u>-</u>	<u>-</u>	<u>134,887</u>
Total operating expenses	<u>99,750,946</u>	<u>-</u>	<u>-</u>	<u>99,750,946</u>
Increase (decrease) in net assets from operations	609,855	(4,495)	62,323	667,683

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended August 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Other nonoperating expenses, gains and losses:				
Change in fair value of interest rate swaps	\$ (1,262,396)	\$ —	\$ —	\$ (1,262,396)
Net unrealized and realized gains on investments	562,646	6,681	—	569,327
Increase in fair value of beneficial interest in trusts held by others	—	—	345,574	345,574
Gain on sales and disposals of property, plant and equipment	<u>4,442</u>	<u>—</u>	<u>—</u>	<u>4,442</u>
	<u>(695,308)</u>	<u>6,681</u>	<u>345,574</u>	<u>(343,053)</u>
(Decrease) increase in net assets before effects of discontinued operations	(85,453)	2,186	407,897	324,630
Gain from discontinued operations	<u>519,561</u>	<u>2,237</u>	<u>—</u>	<u>521,798</u>
Total increase in net assets	434,108	4,423	407,897	846,428
Net assets at beginning of year	<u>11,503,651</u>	<u>594,327</u>	<u>9,494,025</u>	<u>21,592,003</u>
Net assets at end of year	<u>\$ 11,937,759</u>	<u>\$ 598,750</u>	<u>\$ 9,901,922</u>	<u>\$ 22,438,431</u>

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 963,732	\$ 455,661	\$ 22,145	\$ 1,441,538
Special events, net of related direct costs of \$481,329	1,105,477	81,197	-	1,186,674
Annual campaigns, net of related direct costs of \$69,773	477,678	52,524	-	530,202
Bequests	73,533	-	-	73,533
Net assets released from restrictions	<u>1,113,409</u>	<u>(1,113,409)</u>	<u>-</u>	<u>-</u>
Total public support	3,733,829	(524,027)	22,145	3,231,947
Revenue:				
Fees and grants from governmental agencies	56,865,518	-	-	56,865,518
Other fees and grants	29,698,053	-	-	29,698,053
Start-up programs	161,178	-	-	161,178
Sales to public	3,610,166	-	-	3,610,166
Dividend and interest income	620,764	2,157	-	622,921
Rental income	141,855	-	-	141,855
Other	<u>542,808</u>	<u>-</u>	<u>-</u>	<u>542,808</u>
Total revenue	<u>91,640,342</u>	<u>2,157</u>	<u>-</u>	<u>91,642,499</u>
Total public support and revenue	95,374,171	(521,870)	22,145	94,874,446
Operating expenses:				
Program services:				
Public health education	622,395	-	-	622,395
Professional education	22,136	-	-	22,136
Program start-up	595,904	-	-	595,904
Direct services	<u>82,245,658</u>	<u>-</u>	<u>-</u>	<u>82,245,658</u>
Total program services	83,486,093	-	-	83,486,093
Supporting services:				
Management and general	8,586,344	-	-	8,586,344
Fundraising	<u>1,853,986</u>	<u>-</u>	<u>-</u>	<u>1,853,986</u>
Total supporting services	<u>10,440,330</u>	<u>-</u>	<u>-</u>	<u>10,440,330</u>
Total functional expenses	93,926,423	-	-	93,926,423
Support of National programs	<u>123,151</u>	<u>-</u>	<u>-</u>	<u>123,151</u>
Total operating expenses	<u>94,049,574</u>	<u>-</u>	<u>-</u>	<u>94,049,574</u>
Increase (decrease) in net assets from operations	1,324,597	(521,870)	22,145	824,872

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)

Year Ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Other nonoperating expenses, gains and losses:				
Change in fair value of interest rate swaps	\$ (693,108)	\$ -	\$ -	\$ (693,108)
Net unrealized and realized gains on investments	386,226	556,612	-	942,838
Increase in fair value of beneficial interest in trusts held by others	-	-	292,764	292,764
Gain on sales and disposals of property, plant and equipment	<u>200,277</u>	<u>-</u>	<u>-</u>	<u>200,277</u>
	<u>(106,605)</u>	<u>556,612</u>	<u>292,764</u>	<u>742,771</u>
Increase in net assets before effects of discontinued operations	1,217,992	34,742	314,909	1,567,643
Loss from discontinued operations	<u>(699,038)</u>	<u>1,795</u>	<u>-</u>	<u>(697,243)</u>
Total increase in net assets	518,954	36,537	314,909	870,400
Net assets at beginning of year	<u>10,984,697</u>	<u>557,790</u>	<u>9,179,116</u>	<u>20,721,603</u>
Net assets at end of year	<u>\$ 11,503,651</u>	<u>\$ 594,327</u>	<u>\$9,494,025</u>	<u>\$ 21,592,003</u>

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2012

	Program Services ⁽¹⁾				Supporting Services ⁽¹⁾		Total Program ⁽¹⁾ and Supporting Services Expenses	
	Public Health Education	Profes- sional Education	Direct Services	Total	Manage- ment and Fund- Raising			
					General	Total		
	2012	2011	2012	2011	2012	2011		
Salaries and related expenses	\$ 410,255	\$ -	\$66,615,399	\$67,025,654	\$5,325,167	\$1,484,914	\$73,835,735	\$68,238,467
Professional fees	28,453	-	7,912,975	7,941,428	1,805,957	147,870	9,895,255	10,326,930
Supplies	19,338	-	2,644,802	2,664,140	75,986	28,736	2,768,862	2,664,523
Telephone	4,481	-	555,203	559,684	279,767	17,335	856,786	780,913
Postage and shipping	8,989	-	61,909	70,898	57,279	7,557	135,734	151,684
Occupancy	13,215	-	3,673,690	3,686,905	351,611	74,429	4,112,945	3,841,843
Outside printing, artwork and media	30,200	-	48,232	78,432	8,812	33,907	121,151	160,075
Travel	12,938	-	2,609,811	2,622,749	41,212	42,002	2,705,963	2,539,798
Conventions and meetings	43,700	22,251	240,350	306,301	57,522	31,564	395,387	544,211
Specific assistance to individuals	159	-	905,881	906,040	7,200	971	914,211	945,800
Dues and subscriptions	1,043	-	29,604	30,647	9,711	5,024	45,382	32,917
Minor equipment purchases and equipment rental	5,237	-	288,348	293,585	398,836	3,016	695,437	624,632
Ads, fees and miscellaneous	17,164	-	186,451	203,615	(147,690)	1,135	57,060	146,005
Interest	-	-	993,214	993,214	230,351	-	1,223,565	968,663
Bad debt provision	-	-	44,571	44,571	-	1,773	46,344	320,170
Depreciation and amortization	462	-	1,604,907	1,605,369	198,751	2,122	1,806,242	1,639,792
	<u>\$595,634</u>	<u>\$22,251</u>	<u>\$88,415,347</u>	<u>\$89,033,232</u>	<u>\$8,700,472</u>	<u>\$1,882,355</u>	<u>\$99,616,059</u>	<u>\$93,926,423</u>
	0.60%	0.02%	88.76%	89.38%	8.73%	1.89%	100.00%	100.00%

(1) Excludes expenses related to discontinued operations – see note 13.

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2011

	Program Services ⁽²⁾			Supporting Services ⁽²⁾			Total Program ⁽²⁾ and Supporting Services Expenses
	Public Health Education	Professional Education	Direct Services ⁽¹⁾	Management and General	Fund-Raising	Total	
Salaries and related expenses	\$372,229	\$ -	\$61,537,327	\$4,931,782	\$1,397,129	\$ 6,328,911	\$68,238,467
Professional fees	74,182	-	8,096,596	2,036,263	119,889	2,156,152	10,326,930
Supplies	18,991	-	2,547,508	72,394	25,630	98,024	2,664,523
Telephone	4,534	-	525,740	234,923	15,716	250,639	780,913
Postage and shipping	9,392	-	66,348	58,662	17,282	75,944	151,684
Occupancy	13,863	-	3,406,398	332,807	88,775	421,582	3,841,843
Outside printing, artwork and media	33,078	-	71,082	12,126	43,789	55,915	160,075
Travel	16,463	-	2,425,088	46,914	51,333	98,247	2,539,798
Conventions and meetings	56,100	22,136	330,725	83,336	51,914	135,250	544,211
Specific assistance to individuals	-	-	939,437	6,363	-	6,363	945,800
Dues and subscriptions	203	-	20,309	8,290	4,115	12,405	32,917
Minor equipment purchases and equipment rental	3,055	-	371,333	243,127	7,117	250,244	624,632
Ads, fees and miscellaneous	17,765	-	115,084	11,537	1,619	13,156	146,005
Interest	-	-	770,298	198,365	-	198,365	968,663
Bad debt provision	2,100	-	289,968	-	28,102	28,102	320,170
Depreciation and amortization	440	-	1,328,321	309,455	1,576	311,031	1,639,792
	<u>\$622,395</u>	<u>\$22,136</u>	<u>\$82,841,562</u>	<u>\$8,586,344</u>	<u>\$1,853,986</u>	<u>\$10,440,330</u>	<u>\$93,926,423</u>
	0.66%	0.02%	88.20%	9.15%	1.97%	11.12%	100.00%

(1) Includes program start-up expenses.

(2) Excludes expenses related to discontinued operations – see note 13.

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 846,428	\$ 870,400
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	1,897,233	1,827,293
Bad debt provision	46,344	404,756
Increase in beneficial interest in trusts held by others	(345,574)	(292,764)
Gain on sales and disposals of property, plant and equipment and property held for sale	(2,024,351)	(135,268)
Change in fair value of interest rate swaps	1,254,211	678,470
Net unrealized and realized gains on investments	(569,327)	(943,568)
Changes in operating assets and liabilities:		
Accounts receivable from affiliates	(218,818)	319,917
Program and other accounts receivable	858,969	675,629
Contributions receivable	(172,018)	(64,208)
Prepaid expenses and other current assets	(203,018)	(207,610)
Other assets	(723,547)	-
Accounts payable and accrued expenses	(405,642)	942,895
Accounts payable to affiliates	(314,557)	314,557
Rate reserve	(656,571)	207,970
Deferred revenue	(938,226)	(1,132,800)
Other liabilities	<u>16,715</u>	<u>238,967</u>
Net cash (used) provided by operating activities	(1,651,749)	3,704,636
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,794,331)	(5,668,528)
Proceeds from sale of property, plant and equipment and property held for sale	3,034,938	1,280,638
Cash provided by acquisition	227,830	-
Increase in investments, net	(624,655)	(1,049,731)
Change in assets limited as to use	<u>1,165,832</u>	<u>(900,963)</u>
Net cash provided (used) in investing activities	2,009,614	(6,338,584)
Cash flows from financing activities:		
Repayment of long-term debt	(2,508,652)	(1,606,999)
Issuance of long-term debt	360,982	5,391,471
Payment for termination of interest rate swap	(159,678)	-
Repayments on lines of credit	(26,040,436)	(17,928,961)
Borrowings on lines of credit	27,374,577	17,987,920
Bond issuance costs	<u>-</u>	<u>(196,969)</u>
Net cash (used) provided by financing activities	<u>(973,207)</u>	<u>3,646,462</u>
(Decrease) increase in cash and cash equivalents	(615,342)	1,012,514
Cash and cash equivalents, beginning of year	<u>5,017,529</u>	<u>4,005,015</u>
Cash and cash equivalents, end of year	<u>\$ 4,402,187</u>	<u>\$ 5,017,529</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Supplemental disclosure of cash flow information:		
Interest paid, net of capitalized interest of approximately \$104,000 in 2011 (none in 2012)	\$ <u>1,225,000</u>	\$ <u>1,068,000</u>

During 2012 and 2011, Easter Seals NH transferred property with a net carrying value of \$1,513,272 and \$50,883, respectively, from fixed assets to property held for sale. Additionally, Easter Seals NH sold property held for sale with a net carrying value of \$1,108,357 in 2012 (see note 13). During 2012, Easter Seals NH received a donated building with an estimated fair value of \$1,100,000, which has been recorded as deferred revenue (see note 5). See also acquisition described in note 12.

See accompanying notes.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

1. Corporate Organization and Purpose

Easter Seals New Hampshire, Inc. and Subsidiaries (Easter Seals NH) consists of eleven separate nonprofit entities: Easter Seals New Hampshire, Inc. (parent and service corporation); Easter Seals New York, Inc. (Easter Seals NY); Easter Seals Maine, Inc. (Easter Seals ME); Easter Seals Rhode Island, Inc. (Easter Seals RI); Agency Realty, Inc. (real estate corporation); The Harbor Schools Incorporated (Harbor Schools); Manchester Alcoholism Rehabilitation Center; Special Transit Service, Inc. (transportation corporation); Webster Place, Inc. (Webster Place), which was acquired in 2012 – see note 12; Easter Seals Connecticut, Inc. (Easter Seals CT); and Easter Seals Vermont, Inc. (Easter Seals VT). Easter Seals New Hampshire, Inc. is the sole member of each subsidiary. Easter Seals NH is affiliated with Easter Seals, Inc. (the national headquarters for the organization).

On January 25, 2012, the Board of Directors of Easter Seals New Hampshire, Inc. voted to close Harbor Schools and cease all operations of this subsidiary, and also voted to approve discontinuing the group home and special education programs in Rutland, Vermont (see note 13).

Easter Seals NH's purpose is to provide (1) programs and services for people with disabilities and other special needs, (2) assistance to people with disabilities and their families, (3) assistance to communities in identifying and developing needed services for residents, and (4) a climate of acceptance for people with disabilities and other special needs which will enable them to contribute to the well-being of the community. Easter Seals NH operates programs throughout New Hampshire, New York, Maine, Massachusetts (prior to the closure of Harbor Schools), Rhode Island, Vermont and Connecticut.

Prior to April 26, 2011, Fernclif Housing Development Fund Company, Inc. (Fernclif) was an entity affiliated with Easter Seals NY; however, the accounts of Fernclif are not included in the accompanying consolidated financial statements as Fernclif has separate reporting requirements to various federal and state agencies, and is required to maintain its separate accounts. Effective April 26, 2011, the Board of Directors of Easter Seals NY resolved to transfer, for no consideration, all membership interests in Fernclif to an unrelated not-for-profit organization.

In December 2010, Easter Seals NY issued the Series 2010 Bonds described in note 8 to finance the acquisition of certain property located in Irondequoit, New York, provide for improvements to a school building and an existing rehabilitation facility, and construct two residential rehabilitation facilities. The start-up programs at this location began operations in August of 2011, and start-up program revenues and operating expenses approximated \$161,000 and \$596,000, respectively, for the year ended August 31, 2011. Easter Seals NY ceased classifying revenues and operating expenses relating to these programs as start-up revenues and expenses on August 31, 2011. Revenues and operating expenses relating to these programs after August 31, 2011 have been included within other revenue and operating expense classifications on the accompanying consolidated statement of activities and changes in net assets for the year ended August 31, 2012, and approximated \$5,372,000 and \$5,027,000, respectively.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Easter Seals New Hampshire, Inc. and the subsidiaries of which it is the sole member. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Easter Seals NH considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents. Cash equivalents consist of cash, overnight repurchase agreements and money market funds, excluding assets limited as to use.

Management has implemented a practice to establish cash reserves on hand. Approximately \$2,277,000 and \$2,152,000 of cash and cash equivalents, and approximately \$2,070,000 and \$1,689,000 of investments were on-hand under this practice as of August 31, 2012 and 2011, respectively.

Assets Limited as to Use and Investments

Assets limited as to use consists of cash and cash equivalents, short-term certificates of deposit with original maturities greater than 90 days, but less than one year, and investments. Investments are stated at fair value. Realized gains and losses on investments are computed on a specific identification basis. The changes in net unrealized and realized gains and losses on investments are recorded in other nonoperating expenses, gains and losses in the accompanying consolidated statements of activities and changes in net assets. Donated securities are stated at fair value determined at the date of donation.

Beneficial Interest in Trusts

Easter Seals NH is the beneficiary of several trusts held by others. Easter Seals NH has recorded as an asset the fair value of its interest in the trusts and such amount is included in permanently restricted net assets, based on the underlying donor stipulations. The change in the interest due to fair value change is recorded within other nonoperating expenses, gains and losses as permanently restricted activity.

Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and amortization. Expenditures for maintenance and repairs are charged to expense as incurred, and expenditures for major renovations are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the underlying assets.

Fixed assets obtained by Easter Seals NH as a result of acquisitions on or after September 1, 2011 are recorded at estimated fair value as of the date of the acquisition in accordance with generally accepted accounting principles guidance for acquisitions by a not-for-profit entity.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

2. Summary of Significant Accounting Policies (Continued)

Donated property and equipment not subject to donor stipulated conditions is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support or, if significant uncertainties exist, as deferred revenue pending resolution of the uncertainties. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. See also note 5.

Property held for sale is recorded at the lower of net realizable value or carrying value.

Intangible Assets and Long-Lived Assets

Accounting rules require that intangible assets with estimable or determinable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and be reviewed by management for impairment. Based on management's assessments, there is no impairment of intangible assets at August 31, 2012. Intangible assets at August 31, 2012 consist of a patient list obtained in the acquisition of Webster Place (see note 12).

Expected amortization of intangible assets through the end of their useful lives is as follows:

2013	\$ 33,130
2014	33,130
2015	33,130
2016	33,130
2017	33,130
Thereafter	<u>132,523</u>
	<u>\$298,173</u>

When there is an indication of impairment, management considers whether long-lived assets are impaired by comparing gross future undiscounted cash flows expected to be generated from utilizing the assets to their carrying amounts. If cash flows are not sufficient to recover the carrying amount of the assets, an impairment has occurred and the assets are written down to their fair value. Significant estimates and assumptions are required to be made by management in order to evaluate possible impairment.

Based on current facts, estimates and assumptions, management believes that no long-lived assets were impaired at August 31, 2012 and 2011.

Bond Issuance Costs

Bond issuance costs are being amortized by the straight-line method over the repayment period of the related bonds, or the expected time until the next refinancing, whichever is shorter. Amortization expense recognized during 2012 and 2011 was \$36,418 and \$14,009, respectively.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue generated from services provided to the public is reported at the estimated net realizable amounts from clients, third-party payors and others based upon approved rates as services are rendered. A significant portion of Easter Seals NH's revenues are derived through arrangements with third-party payors. As such, Easter Seals NH is dependent on these payors in order to carry out its operating activities. There is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in other fees and grants in the year that such amounts become known. Easter Seals NH has established rate reserves of \$435,008 and \$1,091,579 at August 31, 2012 and 2011, respectively, for differences between rates previously estimated and amounts which will be either recoverable or payable to third-party payors based upon actual rates approved by third-parties. The differences between amounts previously estimated and amounts subsequently determined to be recoverable from third-party payors did not significantly affect revenue in 2012 or 2011.

Revenues are recognized as earned, or attributable to the period in which specific terms of the funding agreement are satisfied, and to the extent that expenses have been incurred for the purposes specified by the funding source. Revenue balances in excess of the foregoing amounts are accounted for as deferred revenue until any restrictions are met or allowable expenditures are incurred.

The allowance for doubtful accounts is provided based on an analysis by management of the collectibility of outstanding balances. Management considers the age of outstanding balances and past collection efforts in determining the allowance for doubtful accounts. Accounts are charged against the allowance for doubtful accounts when deemed uncollectible.

Unconditional contributions are recognized when pledged.

Advertising

Easter Seals NH's policy is to expense advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services based mainly on time records and estimates made by Easter Seals NH's management.

Charity Care (Unaudited)

Easter Seals NH has a formal charity care policy under which program fees are subsidized as determined by the Board of Directors. Free and subsidized services are rendered in accordance with decisions made by the Board of Directors and, at established charges, amounted to approximately \$5,979,000 and \$6,445,000 for the years ended August 31, 2012 and 2011, respectively.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

Easter Seals New Hampshire, Inc., Easter Seals NY, Easter Seals ME, Easter Seals VT, Easter Seals Rhode Island, Harbor Schools, Webster Place, Manchester Alcoholism Rehabilitation Center, Easter Seals CT and Special Transit Services, Inc. are exempt from both federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and, for Easter Seals NY of the Not-for-Profit Corporation Law of the State of New York. Agency Realty, Inc. received a determination letter from the Internal Revenue Service stating that it qualifies for tax-exempt status under Section 501(c)(2) of the Internal Revenue Code.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position historically taken on various tax exposure items including unrelated business income or tax status. In accordance with accounting principles generally accepted in the United States of America, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position.

Management has evaluated tax positions taken by Easter Seals New Hampshire, Inc. and its subsidiaries on their respective filed tax returns and concluded that the organizations have maintained their tax-exempt status, do not have any significant unrelated business income, and have taken no uncertain tax positions that require adjustment to or disclosure in the accompanying consolidated financial statements. Easter Seals New Hampshire, Inc. and its subsidiaries are no longer subject to income tax examinations by the federal or state tax authorities for years prior to 2009.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Derivatives and Hedging Activities

Accounting guidance requires that Easter Seals NH record as an asset or liability the fair value of the interest rate swap agreements described in note 8. Easter Seals NH is exposed to repayment loss equal to the net amounts receivable under the swap agreements (not the notional amount) in the event of nonperformance of the other party to the swap agreements. However, Easter Seals NH does not anticipate nonperformance and does not obtain collateral from the other party.

As of August 31, 2012 and 2011, Easter Seals NH had recognized a liability of \$5,135,978 and \$4,041,445, respectively, as a result of the interest rate swap agreements discussed in note 8. As a result of changes in the fair value of these derivative financial instruments and excluding a termination payment related to one swap agreement of \$159,678 in 2012 (see note 8), Easter Seals NH recognized a decrease in net assets of \$1,254,211 and \$678,470 (including increases in net assets of \$8,185 and \$14,638, respectively, included in discontinued operations) related to swap agreements for the years ended August 31, 2012 and 2011, respectively.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

2. Summary of Significant Accounting Policies (Continued)

Increase (Decrease) in Net Assets from Operations

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of services are reported as revenue and expenses that comprise the increase (decrease) in net assets from operations. The primary transactions reported as other nonoperating expenses, gains and losses include the adjustment to fair value of interest rate swaps, the increase in the fair value of beneficial interest in trusts held by others, gains and losses on sales and disposals of property, plant and equipment, and net realized and unrealized gains and losses on investments.

Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated events occurring between the end of Easter Seals NH's fiscal year end and December 12, 2012, the date these consolidated financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The management of Easter Seals NH is currently evaluating the effect, if any, that the provisions of ASU 2011-04 will have on Easter Seals NH's financial statements.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

3. Classification of Net Assets

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), net assets are classified and reported based on the existence or absence of donor-imposed restrictions. Gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. Temporarily restricted net assets are those whose use by Easter Seals NH has been limited by donors to a specific time period or purpose. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by Easter Seals NH in perpetuity, the income from which is expendable to support all activities of the organization, or as stipulated by the donor.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

In accordance with UPMIFA, Easter Seals NH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Endowment Net Asset Composition by Type of Fund

The major categories of endowment funds at August 31, 2012 and 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2012</u>				
Camping program	\$ --	\$ 1,698	\$ 362,869	\$ 364,567
Other programs	--	14,345	327,555	341,900
Operations	<u>--</u>	<u>--</u>	<u>3,613,207</u>	<u>3,613,207</u>
Total endowment net assets	<u>\$ --</u>	<u>\$16,043</u>	<u>\$4,303,631</u>	<u>\$4,319,674</u>
<u>2011</u>				
Camping program	\$ --	\$ 1,221	\$ 362,869	\$ 364,090
Other programs	--	13,564	265,232	278,796
Operations	<u>--</u>	<u>--</u>	<u>3,613,207</u>	<u>3,613,207</u>
Total endowment net assets	<u>\$ --</u>	<u>\$14,785</u>	<u>\$4,241,308</u>	<u>\$4,256,093</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

3. Classification of Net Assets (Continued)

Changes in Endowment Net Assets

During the years ended August 31, 2012 and 2011, Easter Seals NH had the following endowment-related activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net endowment assets, August 31, 2010	\$(28,530)	\$ 49,480	\$4,219,163	\$4,240,113
Investment return:				
Investment income, net of fees	-	160,155	-	160,155
Net appreciation (realized and unrealized)	28,530	388,520	-	417,050
Contributions	-	-	22,145	22,145
Appropriated for expenditure	<u>-</u>	<u>(583,370)</u>	<u>-</u>	<u>(583,370)</u>
Net endowment assets, August 31, 2011	-	14,785	4,241,308	4,256,093
Investment return:				
Investment income, net of fees	-	54,655	-	54,655
Net appreciation (realized and unrealized)	-	523,768	-	523,768
Contributions	-	-	62,323	62,323
Appropriated for expenditure	<u>-</u>	<u>(577,165)</u>	<u>-</u>	<u>(577,165)</u>
Net endowment assets, August 31, 2012	<u>\$ -</u>	<u>\$ 16,043</u>	<u>\$4,303,631</u>	<u>\$4,319,674</u>

In addition to endowment net assets, Easter Seals NH also maintains non-endowed funds. The major categories of non-endowment funds, at August 31, 2012 and 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Non- Endowment Net Assets</u>
<u>2012</u>				
Seniors program	\$ 106,866	\$ 16,386	\$ -	\$ 123,252
Veterans program	-	353,044	-	353,044
India initiative	-	51,900	-	51,900
Other programs	35,199	128,877	-	164,076
Operations	<u>11,795,694</u>	<u>32,500</u>	<u>5,598,291</u>	<u>17,426,485</u>
Total non-endowment net assets	<u>\$11,937,759</u>	<u>\$582,707</u>	<u>\$5,598,291</u>	<u>\$18,118,757</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

3. Classification of Net Assets (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Non- Endowment Net Assets</u>
<u>2011</u>				
Seniors program	\$ 109,971	\$ 21,024	\$ –	\$ 130,995
Veterans program	–	307,977	–	307,977
India initiative	–	86,356	–	86,356
Other programs	20,445	131,685	–	152,130
Operations	<u>11,373,235</u>	<u>32,500</u>	<u>5,252,717</u>	<u>16,658,452</u>
Total non-endowment net assets	<u>\$11,503,651</u>	<u>\$579,542</u>	<u>\$5,252,717</u>	<u>\$17,335,910</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Easter Seals NH to retain as a fund of permanent duration. Deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies between the fair value of the investments of the endowment funds and the level required by donor stipulation at August 31, 2012 or 2011.

Investment and Spending Policies

Easter Seals NH has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Easter Seals NH must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of an appropriate market index while assuming a moderate level of investment risk. Easter Seals NH expects its endowment funds to provide an average rate of return over a five year period equal to the rate of inflation plus 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, Easter Seals NH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Easter Seals NH targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Easter Seals NH may appropriate for distribution some or all of the earnings and appreciation on its endowment for funding of operations. In establishing this policy, Easter Seals NH considered the objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to, so long as it would not detract from Easter Seals NH's critical goals and initiatives, provide additional real growth through new gifts and investment return.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

4. Leases

Easter Seals NH leases certain assets under various arrangements which have been classified as operating leases. Total expense under all leases (including month-to-month leases) was approximately \$2,101,000 and \$1,930,000 for the years ended August 31, 2012 and 2011, respectively. Some of these leases have terms which include renewal options, and other may be terminated at Easter Seals NH's option without substantial penalty. Future minimum payments required under the leases in effect at August 31, 2012 and 2011, through the remaining contractual term of the underlying lease agreements, are as follows:

Year Ended August 31:

2013	\$1,737,897
2014	1,203,282
2015	435,909
2016	229,489
2017	89,603

Easter Seals NY leases certain facilities for school operations from unrelated parties at lease terms that are either below fair market value, or that are almost entirely rent-free. Under accounting principles generally accepted in the United States of America, lease agreements must be evaluated based upon their economic substance rather than legal form, and a lease subsidy would be recorded as both contribution and rental expense. However, Easter Seals NH has determined that such amounts would not be material to the accompanying consolidated financial statements.

Easter Seals NY subleases certain office space located at 11 West 42nd Street in New York to an unrelated party. The sublease agreement expires in August 2013. Total rental income earned under this sublease agreement for the years ended August 31, 2012 and 2011 was approximately \$140,000 and \$142,000, respectively.

5. Fixed Assets

Fixed assets consist of the following at August 31:

	<u>2012</u>	<u>2011</u>
Buildings	\$ 28,872,993	\$ 29,481,389
Land and land improvements	3,493,590	3,793,004
Leasehold improvements	892,094	830,761
Office equipment and furniture	9,993,575	9,865,652
Vehicles	3,093,740	3,143,807
Construction in progress	<u>861,415</u>	<u>1,059,007</u>
	47,207,407	48,173,620
Less accumulated depreciation and amortization	<u>(22,074,926)</u>	<u>(22,804,756)</u>
	<u>\$ 25,132,481</u>	<u>\$ 25,368,864</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

5. Fixed Assets (Continued)

Depreciation and amortization expense related to fixed assets totaled \$1,827,988 and \$1,813,284 in 2012 and 2011, respectively. Depreciation and amortization of fixed assets included within discontinued operations in 2012 and 2011 totaled \$90,991 and \$187,501, respectively.

During 2012, Easter Seals NH received a donated building with an estimated fair value of approximately \$1,100,000. Under the terms of the donation, for a period of six years, Easter Seals NH must continue to use the building as a child care center. Should Easter Seals NH cease to operate the program, or wish to sell or donate the property, Easter Seals NH must first provide the donor with the opportunity to purchase the property for \$1. The contribution representing the fair value of the building has been recorded as deferred revenue at August 31, 2012.

Easter Seals NH has outstanding construction commitments totaling approximately \$2,460,000 at August 31, 2012.

6. Investments and Assets Limited as to Use

Investments and assets limited as to use, at fair value, are as follows at August 31:

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 2,822,042	\$ 4,351,252
Certificates of deposit	1,750,201	1,570,514
Marketable equity securities	1,905,202	1,770,046
Mutual funds	10,900,984	9,377,957
Corporate and foreign bonds	792,669	1,063,594
Government and agency securities	<u>310,437</u>	<u>320,022</u>
	18,481,535	18,453,385
Less: assets limited as to use	<u>(5,475,778)</u>	<u>(6,641,610)</u>
Total investments, at fair value	<u>\$13,005,757</u>	<u>\$11,811,775</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

6. Investments and Assets Limited as to Use (Continued)

The composition of assets limited as to use at August 31, 2012 and 2011 are set forth in the table shown below at fair value. The portion of assets limited as to use that is required for obligations classified as current liabilities is reported in current assets.

	<u>2012</u>	<u>2011</u>
Under an agreement with the State of Connecticut, which provides that the funds be utilized for certain allowable program expenditures:		
Cash and cash equivalents	\$2,284,027	\$2,880,440
Certificates of deposit	<u>1,750,201</u>	<u>1,570,514</u>
	4,034,228	4,450,954
Under a deferred compensation plan (see note 7):		
Investments	1,167,789	1,151,396
Under 2010 bond indenture agreements (see note 8):		
Cash and cash equivalents	-	780,510
Maintained in escrow to make required payments on certain bonds (see note 8):		
Cash and cash equivalents	<u>273,761</u>	<u>258,750</u>
Total assets limited as to use	<u>\$5,475,778</u>	<u>\$6,641,610</u>

The principal components of investment income, gains and losses included in continuing operations are summarized below. Amounts included in discontinued operations for 2012 and 2011 were not significant.

	<u>2012</u>	<u>2011</u>
Unrestricted investment income and unrealized and realized gains on investments:		
Dividend and interest income	\$ 680,465	\$ 620,764
Net unrealized gains	393,815	358,851
Net realized gains	<u>168,831</u>	<u>27,375</u>
	1,243,111	1,006,990
Restricted investment income and unrealized and realized gains on investments:		
Dividend and interest income	3,635	2,157
Net unrealized gains	1,905	392,497
Net realized gains	<u>4,776</u>	<u>164,115</u>
	<u>10,316</u>	<u>558,769</u>
	<u>\$1,253,427</u>	<u>\$1,565,759</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

7. Retirement Plans

Easter Seals NH maintains a Section 403(b) Plan (a defined contribution retirement plan), which covers substantially all employees. Eligible employees may contribute any whole percentage of their annual salary. Employee contributions may be matched by Easter Seals NH as determined in the annual budget. The combined amount of employer and employee contributions is subject by law to annual maximum amounts. The employer match was approximately \$490,000 and \$423,000 for the years ended August 31, 2012 and 2011, respectively.

Easter Seals New Hampshire, Inc. offers, to certain management personnel, the option to participate in an Internal Revenue Code Section 457 Deferred Compensation Plan to which the organization may make a discretionary contribution. The employees' accounts are not available until termination, retirement, death or an unforeseeable emergency. Easter Seals New Hampshire, Inc. contributed approximately \$120,000 and \$127,500 to this plan during the years ended August 31, 2012 and 2011, respectively. The assets and liabilities associated with this plan were \$1,167,789 and \$1,151,396 at August 31, 2012 and 2011, respectively, and are included within assets limited as to use and other liabilities in the accompanying consolidated statements of financial position.

8. Borrowings

Borrowings consist of the following at August 31:

	<u>2012</u>	<u>2011</u>
Revenue Bonds, Series 2004A, tax exempt, issued through the New Hampshire Health and Education Facilities Authority (NHHEFA), with a variable rate determined through weekly remarketing (0.17% at August 31, 2012) through December 2034, annual principal payments continually increasing from \$365,000 to \$1,060,000 with a final payment of \$1,060,000 due December 2034, secured by a pledge of all gross receipts of Easter Seals NH and certain letters of credit (see below)	\$15,025,000	\$15,370,000
Revenue Bonds, Series A, issued through the Massachusetts Development Finance Agency (MDFA), monthly principal installments, which escalate annually at 5.34% ranging from \$5,571 to \$12,689 through October 2025, plus interest on the outstanding balance. Interest is payable monthly on the sixth day of the month at (i) forty-five basis points plus (ii) 69% of the sum of (A) the spread (225 basis points) plus (B) LIBOR, secured by mortgage interest in various real properties, paid in full in November 2011	-	1,547,396
Revenue Bonds, Series B, issued through the MDFA, monthly principal and interest of \$5,727 through October 2012. Interest is payable monthly on the sixth day of the month at a fixed rate of 5.31%, paid in full in November 2011	-	77,544
Revenue Bonds, Series 2010, issued through the Monroe County Industrial Development Corporation, interest only payments due through December 2011, after which monthly principal and interest payments ranging from \$9,770 to \$21,980 are required through the maturity date of December 31, 2040. Interest is payable monthly at a rate equal to 68% of the sum of the monthly LIBOR rate plus 2.65% (1.97 % at August 31, 2012)	5,171,840	5,250,000

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

8. Borrowings (Continued)

Mortgage note payable to a bank with a fixed rate of 5.91%, principal of \$1,723 plus interest payable monthly, with a final payment of \$79,160 due December 2015, secured by a pledge of all unrestricted investments and certain real property located at 11 Burnham Street and 195 Stratton Road in Rutland, Vermont, paid in full in April 2012	\$	-	\$ 168,756
Mortgage payable to a bank with a variable rate of LIBOR plus 2.65% (2.89% at August 31, 2012), principal of \$9,500 plus interest payable monthly, with a final payment of \$2,299,000 due March 2015, secured by all business assets and property of Easter Seals CT, excluding certain assets limited as to use totaling \$4,034,228 at August 31, 2012		2,584,000	2,698,000
Note payable to a bank with a fixed rate of 4.25%, principal and interest of \$823 payable monthly, due July 2013, secured by a vehicle		8,941	18,216
Note payable to a bank with a fixed rate of 2.50%, principal and interest of \$4,919 payable monthly, secured by vehicles, paid in full in March 2012		-	34,248
Note payable to a bank with a fixed rate of 3.66%, principal and interest of \$3,177 payable monthly, due August 2015, secured by vehicles		108,052	141,472
Unsecured note payable to an individual with a fixed rate of 5.25%, principal and interest of \$10,311 payable monthly, due April 2016		411,835	-
Non-revolving note payable to a bank with a total availability of \$3,500,000 (\$3,139,018 available for additional borrowings at August 31, 2012), with a variable rate of LIBOR plus 4.07% (4.31% at August 31, 2012), interest only payments through June 2014, after which monthly principal and interest payments are required through the maturity in June 2015, secured by an interest in certain property with a net book value of \$ _____ at August 31, 2012		<u>360,982</u>	<u>-</u>
		23,670,650	25,305,632
Less current portion		<u>746,716</u>	<u>774,891</u>
		<u>\$22,923,934</u>	<u>\$24,530,741</u>

Principal payments on long-term debt for each of the following years ending August 31 are as follows:

2013	\$ 746,716
2014	828,396
2015	3,336,933
2016	631,204
2017	574,200
Thereafter	<u>17,553,201</u>
	<u>\$23,670,650</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

8. Borrowings (Continued)

Lines of Credit

Easter Seals New Hampshire, Inc. has an agreement with a bank for a \$500,000 nonrevolving equipment line of credit. The line of credit is to be used to fund the purchase of New Hampshire titled vehicles for use by Easter Seals NH through January 2, 2013. The interest rate charged on outstanding borrowings is at a fixed rate at the then prime rate minus 0.75% for maturities up to a five-year term. Availability under this nonrevolving line of credit, which is reduced by the original amount of certain notes payable as of August 31, 2012 and 2011, is \$285,128 at August 31, 2012. No amounts were outstanding under this agreement as of August 31, 2012 and 2011.

Easter Seals New Hampshire, Inc. (the sole member of Easter Seals NY and Harbor Schools), Easter Seals NY and Harbor Schools have a revolving line of credit with a bank, with available borrowings up to \$7 million (a portion of which is secured by available letters of credit of \$110,795, of which \$39,795 is related to Easter Seals NY). Outstanding advances are due on demand. The revolving line of credit has the following sub-limits which were last amended in May 2012; Easter Seals NH \$3.5 million, Easter Seals NY \$3 million and Harbor Schools \$500,000. The interest rate charged on outstanding borrowings is at LIBOR plus 2.25% (2.49% at August 31, 2012). Under an event of default, the interest rate will increase from LIBOR plus 2.25% to LIBOR plus 5.25%. The line is secured by a first priority interest in all business assets of Easter Seals New Hampshire, Inc., Easter Seals NY and Harbor Schools. The agreement requires that collective borrowings under the line of credit be reduced to \$3,500,000 for 30 consecutive days during each calendar year. The agreement also limits each borrower's ability to incur additional indebtedness in excess of \$500,000. Amounts outstanding under this revolving line of credit agreement at August 31, 2012 and 2011 were \$451,302 and \$0, respectively, related to Harbor Schools and \$1,124,649 and \$345,519, respectively, related to Easter Seals NY.

Easter Seals CT has a demand revolving line of credit with a bank with available borrowings up to \$1 million. The interest rate charged on outstanding borrowings is at LIBOR plus 2.25% (2.49% at August 31, 2012). The line is secured by all business assets and property of Easter Seals CT, except for certain assets limited as to use (\$4,034,228 carrying value as of August 31, 2012). Additionally, this line is guaranteed by Easter Seals NH. The agreement also limits Easter Seals CT's ability to incur additional indebtedness in excess of \$1,000,000 related to real estate, and is cross collateralized with all Easter Seals NH borrowings at this bank. Amounts outstanding under this revolving line of credit agreement at August 31, 2012 and 2011 were \$406,653 and \$302,944, respectively.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

8. Borrowings (Continued)

NHHEFA 2004A Revenue Bonds

In connection with the NHHEFA 2004A Revenue Bonds, Easter Seals NH is required to make deposits of interest and principal of sufficient amounts to make the required interest payments and to retire the Bonds when due. The 2004A Revenue Bonds require that Easter Seals NH maintain certain reserve funds with a trustee for current required principal and interest payments. Such amounts, which are included within assets limited as to use, totaled \$273,761 and \$258,750 at August 31, 2012 and 2011, respectively. This agreement also requires bank approval prior to Easter Seals NH incurring additional indebtedness. Easter Seals NH has four available letters of credit securing the bonds. Two letters of credit are each \$15,210,240 (these two expiring and subject to renewal on December 1, 2013, and mainly to support future principal and interest repayments due under the 2004A Revenue Bonds), and two other letters of credit totaling \$110,795 as described above under lines of credit. Easter Seals NH is required to replace or renew the two \$15,210,240 letters of credit upon their expiration or the related bonds may be subject to early redemption. Easter Seals NH pays an annual fee of 150 basis points for the two letters of credit relating to the 2004A NHHEFA Revenue Bonds. Fees incurred on these letters of credit totaled approximately \$234,000 and \$238,000 in 2012 and 2011, respectively.

Series 2010 Revenue Bonds

On December 1, 2010, Easter Seals NY, in connection with the Monroe County Industrial Development Corporation and RBS Citizens, issued \$5,250,000 in Series 2010 tax-exempt Revenue Bonds (the Series 2010 Bonds). The Series 2010 Bonds were used to finance the acquisition of certain property located in Irondequoit, New York, provide for improvements to a school building and an existing rehabilitation facility, and construct two residential rehabilitation facilities. Additionally, proceeds were used to refinance certain Easter Seals NY outstanding debt totaling \$922,188.

The Series 2010 Bonds are secured by a mortgage on all properties and improvements financed by the bonds, and are guaranteed by Easter Seals NH. Easter Seals NY may elect to prepay some portion or all of the outstanding bonds subject to a prepayment fee, as defined. This agreement also requires bank approval prior to Easter Seals NY incurring additional indebtedness. The Series 2010 Bonds are subject to tender for mandatory purchase at the election of the bondholder beginning June 1, 2016, and thereafter every five years through June 1, 2036.

Interest Rate Swap Agreements

Easter Seals NH has an interest rate swap agreement with a bank in connection with the Series 2004A Revenue Bonds. The swap agreement has an outstanding notional amount of \$15,025,000 and \$15,370,000 at August 31, 2012 and 2011, respectively, which reduces, in conjunction with bond principal reductions, until the agreement terminates in December 2034. Easter Seals NH remits interest at the fixed rate of 3.54% and receives interest at a variable rate (0.17% at August 31, 2012).

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

8. Borrowings (Continued)

Harbor Schools had an interest rate swap agreement with a bank in connection with the Series A Revenue Bonds with the Massachusetts Development Finance Authority. The interest rate swap agreement, which would have terminated in October 2015, was terminated effective November 15, 2011 upon Harbor Schools full repayment of Revenue Bonds Series A and B issued through MDFA. This triggered a termination payment of \$159,678 by Easter Seals NH. The swap agreement had an outstanding notional amount of \$1,547,396 at August 31, 2011. This agreement effectively changed Harbor Schools' variable interest rate Series A bonds to a fixed interest rate. Under the terms of the swap, Harbor Schools paid a monthly fixed-rate of 5.53% and received a monthly variable rate based on a similar formula to the interest being charged on the Series A bonds.

On February 23, 2011, Easter Seals NY entered into an interest rate swap agreement with a bank in connection with the Series 2010 Revenue Bonds. The swap agreement had an outstanding notional amount of \$5,171,840 and \$5,250,000 at August 31, 2012 and 2011, respectively, which reduces, in conjunction with bond principal reductions, until the agreement terminates in January 2031. Easter Seals NY remits interest at a fixed rate of 2.99% and receives interest at a variable rate (68% of monthly LIBOR).

On December 27, 2010, Easter Seals CT entered into an interest rate swap agreement in connection with an outstanding mortgage payable (\$2,584,000 and \$2,698,000 at August 31, 2012 and 2011, respectively), until the agreement terminates in March 2015. The original notional amount of \$1,800,000 will reduce ratably in conjunction with repayment of the note payable. The swap agreement effectively changed the variable rate (2.89% at August 31, 2012) to a fixed rate of 2.72% for the notional amounts outstanding, which is approximately 65% of the related mortgage payable.

The fair value of the above interest rate swap agreements totaled \$5,135,978 and \$4,041,445 at August 31, 2012 and 2011, respectively, \$734,470 and \$726,083 of which was current at August 31, 2012 and 2011, respectively. During the years ended August 31, 2012 and 2011 net payments required by the agreements (excluding the Harbor Schools swap termination payment of \$159,678 in November 2011) totaled \$708,196 and \$684,995, respectively. These payments, except for those relating to the Harbor Schools interest rate swap, which have been included within discontinued operations, have been included in interest expense within the consolidated statements of activities and changes in net assets. See note 11 with respect to fair value determinations.

Debt Covenants

In connection with the bonds, lines of credit and various other notes payable described above, Easter Seals NH is required to comply with certain financial covenants including, but not limited to, minimum liquidity and debt service coverage ratios. At August 31, 2012, Easter Seals NH was in compliance with restrictive covenants specified under the NHHEFA bonds, Series 2010 Bonds, and other debt obligations, except for maintaining a maximum leverage ratio of 2.00:1 as required by covenants for the Easter Seals New Hampshire, Inc. nonrevolving equipment line of credit at August 31, 2012. Easter Seals NH has not received a waiver for this covenant violation; however, the total amount outstanding under this line of credit is \$8,941, which is classified within the current portion of long-term debt at August 31, 2012.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

9. Donated Services

A number of volunteers have donated their time in connection with Easter Seals NH's program services and fundraising campaigns. However, no amounts have been reflected in the accompanying consolidated financial statements for such donated services, as no objective basis is available to measure the value.

10. Related Party Transactions

Approximately 19% and 20% of other fees and grants revenue is derived from a pass-through grant from Easter Seals, Inc. for the years ended August 31, 2012 and 2011, respectively. Easter Seals NH is a member of Easter Seals, Inc. As of August 31, 2012 and 2011, Easter Seals NH had a receivable of \$441,980 and \$223,162, respectively, from Easter Seals, Inc. related to amounts due under this grant. Additionally, Easter Seals NY had an amount payable to Easter Seals, Inc. of \$314,557 as of August 31, 2011 for amounts being refunded under this grant. Membership fees to Easter Seals, Inc. were \$134,887 and \$123,151 for the years ended August 31, 2012 and 2011, respectively and are reflected as support of National programs on the accompanying consolidated statements of activity and changes in net assets.

11. Fair Value of Financial Instruments

Fair value of a financial instrument is defined 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 their measurement date. In determining fair value, Easter Seals NH uses various methods including market, income and cost approaches, and utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in factors used in the valuation. These factors may be readily observable, market corroborated, or generally unobservable. Easter Seals NH utilizes valuation techniques that maximize the use of observable factors and minimizes the use of unobservable factors.

Certain of Easter Seals NH's financial instruments are reported at fair value, which include beneficial interest held in trusts, investments and the interest rate swaps, and are classified by levels that rank the quality and reliability of the information used to determine fair value:

Level 1 – Valuations for financial instruments traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical instruments.

Level 2 – Valuations for financial instruments traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar instruments.

Level 3 – Valuations for financial instruments derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining fair value.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

11. Fair Value of Financial Instruments (Continued)

The following describes the valuation methodologies used to measure financial assets and liabilities at fair value. The levels relate to valuation only and do not necessarily indicate a measure of investment risk. There have been no changes in the methodologies used by Easter Seals NH at August 31, 2012 and 2011.

Investments and Assets Limited as to Use

Cash and cash equivalents are deemed to be Level 1. The fair values of marketable equity securities, money market and mutual funds and government and agency securities that are based upon quoted prices in active markets for identical assets are reflected as Level 1. Investments in certain other mutual funds and corporate bonds where securities are transparent and generally are based upon quoted prices in active markets are valued by the investment managers and reflected as Level 2. Investments in certificates of deposit are at cost plus accrued interest, which is estimated to approximate fair value and are included in Level 2.

Beneficial Interest in Trusts Held by Others

The beneficial interest in trusts held by others has been assigned fair value levels based on the fair value levels of the underlying investments within the trusts. The fair values of marketable equity securities, money market and mutual funds, government and agency securities and other asset funds are based upon quoted prices in active markets for identical assets and are reflected as Level 1. Investments in marketable equity securities, mutual funds and corporate and foreign bonds where securities are transparent and generally are based upon quoted prices in active markets are valued by the investment managers and reflected as Level 2. Investments in alternative and other asset funds are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions, and are reflected as Level 3. Level 3 valuations incorporate certain assumptions and projections in determining fair value.

Interest Rate Swap Agreements

The fair value for the interest rate swap liabilities is included in Level 3 and is estimated by the counterparty using industry standard valuation models. These models project future cash flows and discount the future amounts to present value using market-based observable inputs, including interest rates.

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

11. Fair Value of Financial Instruments (Continued)

At August 31, 2012 and 2011, Easter Seals NH's assets and liabilities measured at fair value on a recurring basis were classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2012</u>				
Assets:				
Assets limited as to use and investments at fair value:				
Cash and cash equivalents	\$2,822,042	\$ -	\$ -	\$ 2,822,042
Certificates of deposit	-	1,750,201	-	1,750,201
Marketable equity securities:				
Large-cap	1,715,844	-	-	1,715,844
International	189,358	-	-	189,358
Mutual funds, open-ended:				
Short-term fixed income	2,704,530	-	-	2,704,530
Intermediate-term bond fund	776,015	-	-	776,015
High yield bond fund	277,483	-	-	277,483
Foreign bond	142,305	-	-	142,305
Government securities	684,829	-	-	684,829
International equities	350,761	-	-	350,761
Domestic, large-cap	850,491	-	-	850,491
Domestic, mid-cap	1,039,241	-	-	1,039,241
Domestic, small-cap	159,736	-	-	159,736
Domestic, multi-alternative	-	-	-	-
Real estate fund	68,271	-	-	68,271
Mutual funds, closed-ended:				
Fixed income and bond	339,555	-	-	339,555
Domestic, large-cap	2,517,522	-	-	2,517,522
Domestic, mid-cap	16,045	-	-	16,045
Domestic, small-cap	239,693	-	-	239,693
International equity	614,770	-	-	614,770
Commodity	119,737	-	-	119,737
Corporate and foreign bonds	-	792,669	-	792,669
Government and agency securities	310,437	-	-	310,437
	<u>\$15,938,665</u>	<u>\$2,542,870</u>	<u>\$ -</u>	<u>\$18,481,535</u>
Beneficial interest in trust held by others:				
Money market funds	\$ 403,426	\$ -	\$ -	\$ 403,426
Marketable equity securities:				
Large-cap	2,128,511	136,980	-	2,265,491
Mid-cap	367,586	38,092	-	405,678
Small-cap	-	26,099	-	26,099
International	421,345	35,421	-	456,766
Emerging markets	23,776	-	-	23,776
Corporate bonds	-	622,220	-	622,220
Foreign bonds	-	20,659	-	20,659

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

11. Fair Value of Financial Instruments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Domestic fixed income	\$ —	\$ 975,161	\$ —	\$ 975,161
International equity	32,132	—	—	32,132
International fixed income	20,938	—	—	20,938
Domestic large-cap equity	62,604	—	—	62,604
Domestic mid-cap equity	14,062	—	—	14,062
Domestic small-cap equity	18,779	—	—	18,779
Government and agency securities	34,061	—	—	34,061
Real estate investment trust	102,373	—	—	102,373
Alternative and structured asset funds	<u>35,452</u>	<u>—</u>	<u>78,614</u>	<u>114,066</u>
	<u>\$ 3,665,045</u>	<u>\$ 1,854,632</u>	<u>\$ 78,614</u>	<u>\$ 5,598,291</u>
Liabilities:				
Interest rate swap agreements	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,135,978</u>	<u>\$ 5,135,978</u>
<u>2011</u>				
Assets:				
Assets limited as to use and investments at fair value:				
Cash and cash equivalents	\$ 4,351,252	\$ —	\$ —	\$ 4,351,252
Certificates of deposit	—	1,570,514	—	1,570,514
Marketable equity securities:				
Large-cap	1,603,796	—	—	1,603,796
International	166,250	—	—	166,250
Mutual funds, open-ended:				
Short-term fixed income	2,106,206	—	—	2,106,206
Bond fund	724,870	—	—	724,870
Foreign bond	286,037	—	—	286,037
Government securities	327,829	—	—	327,829
International equities	298,746	—	—	298,746
Domestic, large-cap	1,239,110	—	—	1,239,110
Domestic, mid-cap	488,926	—	—	488,926
Domestic, multi-alternative	—	60,125	—	60,125
Mutual funds, closed-ended:				
Fixed income and bond	304,692	—	—	304,692
Domestic, large-cap	2,200,754	—	—	2,200,754
Domestic, mid-cap	16,636	—	—	16,636
Domestic, small-cap	312,947	—	—	312,947
International equities	630,060	—	—	630,060
Commodity	381,019	—	—	381,019
Corporate bonds	—	1,063,594	—	1,063,594
Government and agency securities	<u>320,022</u>	<u>—</u>	<u>—</u>	<u>320,022</u>
	<u>\$ 15,759,152</u>	<u>\$ 2,694,233</u>	<u>\$ —</u>	<u>\$ 18,453,385</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

11. Fair Value of Financial Instruments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trust held by others:				
Money market funds	\$ 161,886	\$ -	\$ -	\$ 161,886
Marketable equity securities:				
Large-cap	2,210,348	100,989	-	2,311,337
Mid-cap	289,089	35,027	-	324,116
Small-cap	-	23,110	-	23,110
International	350,202	46,386	-	396,588
Emerging markets	71,271	-	-	71,271
Corporate bonds	-	699,707	-	699,707
Foreign bonds	-	20,558	-	20,558
Mutual funds:				
Domestic fixed income	-	972,085	-	972,085
International equity	34,821	-	-	34,821
International fixed income	-	15,194	-	15,194
Domestic large-cap equity	61,776	-	-	61,776
Domestic mid-cap equity	11,832	-	-	11,832
Domestic small-cap equity	17,527	-	-	17,527
Government and agency securities	46,513	-	-	46,513
Alternative and structured asset funds	<u>26,687</u>	<u>-</u>	<u>57,709</u>	<u>84,396</u>
	<u>\$ 3,281,952</u>	<u>\$ 1,913,056</u>	<u>\$ 57,709</u>	<u>\$ 5,252,717</u>
Liabilities:				
Interest rate swap agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,041,445</u>	<u>\$ 4,041,445</u>

The table below sets forth a summary of changes in the fair value of Easter Seals NH's Level 3 assets and liabilities for the years ended August 31, 2012 and 2011:

	<u>Interest Rate Swaps</u>	<u>Alternative and Other Asset Funds</u>
Beginning balance, September 1, 2010	\$(3,362,975)	\$ 79,457
Unrealized losses	(1,264,423)	(21,748)
Payments, net	<u>585,953</u>	<u>-</u>
Ending balance, August 31, 2011	(4,041,445)	57,709
Unrealized (losses) gains	(1,962,407)	20,905
Payments, net	708,196	-
Swap termination payment	<u>159,678</u>	<u>-</u>
Ending balance, August 31, 2012	<u>\$(5,135,978)</u>	<u>\$ 78,614</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

11. Fair Value of Financial Instruments (Continued)

Unrealized gains relating to the Harbor Schools interest rate swap totaled \$8,185 and \$14,638 in 2012 and 2011, respectively, and are included within discontinued operations (see note 13).

The net amounts of unrealized losses for the period attributable to the change in unrealized losses relating to the interest rate swaps still held at August 31, 2012 and 2011 were \$1,254,211 and \$678,470, respectively. The amount of unrealized losses for the period attributable to the change in unrealized losses relating to the Level 3 investments still held at August 31, 2012 and 2011 were \$12,817 and \$21,748, respectively.

Easter Seals NH's other financial instruments, including cash and cash equivalents, accounts receivable from affiliates, program and other accounts receivable, contributions receivable, accounts payable, lines of credit, and long-term debt, have fair values approximating their carrying values because of the short-term nature of the financial instruments or because interest rates approximate current market rates.

12. Acquisition

On September 1, 2011, Easter Seals NH entered into an affiliation agreement under which Easter Seals NH became the sole member of Webster Place Center, Inc. (Webster Place). Webster Place was not controlled by Easter Seals NH prior to this agreement. This affiliation has been accounted for in accordance with generally accepted accounting principles guidance on acquisitions by a not-for-profit entity. Substantially all revenue and support of Webster Place is from fees charged for services. Webster Place had revenue of approximately \$2,064,000, and an increase in net assets from operations of approximately \$763,000 for the year ended August 31, 2012, which results were attributed by the management of Easter Seals NH to being driven by effective management of the programs and identification of candidates for those programs. The tangible and identifiable intangible assets acquired, and deferred revenue and liabilities assumed, were initially recorded at their estimated fair values as determined by management at the acquisition date, as summarized below:

Assets acquired:	
Cash and cash equivalents	\$ 227,830
Other current assets	26,789
Patient list	331,000
Fixed assets	<u>112,776</u>
	698,395
Liabilities assumed:	
Accounts payable	(54,125)
Deferred revenue	(131,582)
Debt	<u>(512,688)</u>
Fair value of net assets acquired	\$ <u> -</u>

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2012 and 2011

13. Discontinued Operations

On January 25, 2012, the Board of Directors of Easter Seals New Hampshire, Inc., as recommended by the Harbor Schools Board of Directors, voted to close Harbor Schools and cease all operations of this subsidiary. On January 25, 2012, the Board of Directors of Easter Seals New Hampshire, Inc. also voted to approve discontinuing the group home and special education programs in Rutland, Vermont. The management of Easter Seals NH has determined that the closure of each of these programs met the criteria for classification as discontinued operations. The decisions to close the programs were based on performance factors. A summary statement of financial position for Harbor Schools and the Vermont special education programs as of August 31, 2012 and 2011 is as follows:

	<u>Vermont Programs</u>		<u>Harbor Schools</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Total assets	\$ 1,000	\$395,021	\$1,118,306	\$2,776,903
Total liabilities	-	57,958	813,880	3,046,517
Net assets (deficit):				
Unrestricted	1,000	337,063	251,319	(320,485)
Temporarily restricted	-	-	29,281	27,045
Permanently restricted	-	-	23,826	23,826

A summary of the statements of activities for the Vermont Programs and Harbor Schools, prior to reclass to discontinued operations, for the years ended August 31, 2012 and 2011 is as follows:

	<u>Vermont Programs</u>		<u>Harbor Schools</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Total public support and revenue	\$ 242,500	\$ 938,761	\$ 2,589,615	\$ 6,227,872
Operating expenses	(401,216)	(832,631)	(3,871,472)	(6,940,125)
Other non-operating expenses, gains and losses	-	-	(57,538)	(26,111)
Gain (loss) on sale of properties, net	<u>106,474</u>	<u>-</u>	<u>1,913,435</u>	<u>(65,009)</u>
Total increase (decrease) in net assets	<u>\$ (52,242)</u>	<u>\$ 106,130</u>	<u>\$ 574,040</u>	<u>\$ (803,373)</u>

During 2012, Easter Seals NH sold six properties related to the closure of these programs, which resulted in gains on the sale of property of \$2,019,909 for the year ended August 31, 2012.

14. Concentrations

Easter Seals NH maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. As of August 31, 2012 and 2011, approximately \$4,264,000 and \$4,649,000, respectively, of cash and cash equivalents (including cash and cash equivalents classified within assets limited as to use) exceeded federally insured limits and were uncollateralized. Easter Seals NH has not experienced any losses in such accounts, and management believes Easter Seals NH is not exposed to any significant credit risk on cash and cash equivalents.

OTHER FINANCIAL INFORMATION

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

August 31, 2012

ASSETS

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Current assets:									
Cash and cash equivalents	\$ 3,261,116	\$ 1,500	\$ 400	\$ 500	\$ -	\$ 217,128	\$ 921,543	\$ -	\$ 4,402,187
Accounts receivable from affiliates	7,589,576	1,223,181	-	-	-	-	441,980	(8,812,757)	441,980
Program and other accounts receivable, net	6,205,477	307,858	140,420	140,702	2,655	213,524	2,310,934	-	9,321,570
Contributions receivable, net	184,118	250	4,242	8,642	-	10,160	284,317	-	491,729
Assets limited as to use	273,761	-	-	-	-	184,244	-	-	458,005
Prepaid expenses and other current assets	796,271	12,698	20,780	11,863	17,625	56,849	388,087	-	1,304,173
Total current assets	18,310,319	1,545,487	165,842	161,707	20,280	681,905	4,346,861	(8,812,757)	16,419,644
Assets limited as to use, net of current portion	1,167,789	-	-	-	-	3,849,984	-	-	5,017,773
Fixed assets, net	17,149,053	1,621	9,272	14,324	140,666	2,061,397	5,756,148	-	25,132,481
Property held for sale	-	-	-	-	910,171	-	-	-	910,171
Bond issuance costs, net	68,363	-	-	-	-	-	186,027	-	254,390
Investments, at fair value	10,609,510	-	-	-	47,189	1,526,328	822,730	-	13,005,757
Beneficial interest in trusts held by others and other assets	992,034	-	-	34,488	-	4,999,548	593,941	-	6,620,011
	<u>\$48,297,068</u>	<u>\$1,547,108</u>	<u>\$ 175,114</u>	<u>\$ 210,519</u>	<u>\$1,118,306</u>	<u>\$13,119,162</u>	<u>\$11,705,707</u>	<u>\$ (8,812,757)</u>	<u>\$67,360,227</u>

LIABILITIES AND NET ASSETS

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Current liabilities:									
Lines of credit	\$ -	\$ -	\$ -	\$ -	\$ 451,302	\$ 406,653	\$ 1,124,649	\$ -	\$ 1,982,604
Accounts payable	1,646,794	9,093	476	4,154	236,194	43,982	690,242	-	2,630,935
Accrued expenses	3,200,668	6,041	20,936	7,584	95,290	142,447	889,226	-	4,362,192
Accounts payable to affiliates	4,867,724	-	2,386,803	25,941	31,094	476,403	1,024,792	(8,812,757)	-
Rate reserves	-	-	-	-	-	-	435,008	-	435,008
Current portion of deferred revenue	1,469,308	21,337	19,644	450	-	190,312	56,232	-	1,757,283
Current portion of interest swap agreements	545,538	-	-	-	-	41,541	147,391	-	734,470
Current portion of long-term debt	478,544	-	-	-	-	114,000	154,172	-	746,716
Total current liabilities	12,208,576	36,471	2,427,859	38,129	813,880	1,415,338	4,521,712	(8,812,757)	12,649,208
Deferred revenue, net of current portion	-	-	-	-	-	3,778,487	-	-	3,778,487
Other liabilities	1,168,659	-	-	-	-	-	-	-	1,168,659
Interest rate swap agreements, less current portion	3,435,046	-	-	-	-	56,467	909,995	-	4,401,508
Long-term debt, less current portion	15,328,214	-	-	-	-	2,470,000	5,125,720	-	22,923,934
Total liabilities	32,140,495	36,471	2,427,859	38,129	813,880	7,720,292	10,557,427	(8,812,757)	44,921,796
Net assets (deficit):									
Unrestricted	11,322,701	1,510,638	(2,255,245)	132,103	251,319	399,323	576,920	-	11,937,759
Temporarily restricted	483,752	(1)	2,500	5,799	29,281	-	77,419	-	598,750
Permanently restricted	4,350,120	-	-	34,488	23,826	4,999,547	493,941	-	9,901,922
Total net assets (deficit)	16,156,573	1,510,637	(2,252,745)	172,390	304,426	5,398,870	1,148,280	-	22,438,431
	\$48,297,068	\$1,547,108	\$ 175,114	\$ 210,519	\$1,118,306	\$13,119,162	\$11,705,707	\$ (8,812,757)	\$67,360,227

* Includes Agency Realty, Inc., Special Transit Service, Inc., Webster Place, Inc. and Manchester Alcoholism Rehabilitation Center

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

August 31, 2011

ASSETS

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Current assets:									
Cash and cash equivalents	\$ 3,758,483	\$ 1,500	\$ 400	\$ 500	\$ 195,687	\$ 213,022	\$ 847,937	\$ —	\$ 5,017,529
Accounts receivable from affiliates	6,371,496	1,382,637	—	11,668	—	—	223,162	(7,765,801)	223,162
Program and other accounts receivable, net	6,132,042	354,512	235,206	136,609	638,847	87,380	2,642,287	—	10,226,883
Contributions receivable, net	172,251	168	8,475	21,138	—	10,010	107,669	—	319,711
Assets limited as to use	258,750	—	—	—	—	583,394	—	—	842,144
Prepaid expenses and other current assets	565,858	10,506	12,086	10,241	31,713	49,440	394,522	—	1,074,366
Total current assets	17,258,880	1,749,323	256,167	180,156	866,247	943,246	4,215,577	(7,765,801)	17,703,795
Assets limited as to use, net of current portion	1,151,396	—	—	—	—	3,867,560	780,510	—	5,799,466
Fixed assets, net	16,203,318	3,534	10,071	5,475	1,333,667	2,212,022	5,600,777	—	25,368,864
Property held for sale	—	—	—	—	505,256	—	—	—	505,256
Bond issuance costs, net	71,435	—	—	—	26,781	—	192,592	—	290,808
Investments, at fair value	9,617,520	—	—	—	44,952	1,373,232	776,071	—	11,811,775
Beneficial interest in trusts held by others and other assets	68,636	—	—	35,124	—	4,689,148	459,809	—	5,252,717
	<u>\$44,371,185</u>	<u>\$1,752,857</u>	<u>\$ 266,238</u>	<u>\$220,755</u>	<u>\$2,776,903</u>	<u>\$13,085,208</u>	<u>\$12,025,336</u>	<u>\$(7,765,801)</u>	<u>\$66,732,681</u>

LIABILITIES AND NET ASSETS

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Current liabilities:									
Lines of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302,944	\$ 345,519	\$ -	\$ 648,463
Accounts payable	2,188,006	10,744	25,637	8,205	225,192	40,647	1,114,956	-	3,613,387
Accrued expenses	2,439,416	29,465	16,284	14,930	242,333	239,747	749,082	-	3,731,257
Accounts payable to affiliates	4,541,209	-	2,184,565	-	563,959	46,554	744,071	(7,765,801)	314,557
Rate reserves	-	-	-	-	-	-	1,091,579	-	1,091,579
Current portion of deferred revenue	420,748	55,480	15,341	25,000	222,230	545,969	90,086	-	1,374,854
Current portion of interest swap agreements	499,719	-	-	-	63,001	17,031	146,332	-	726,083
Current portion of long-term debt	409,212	-	-	-	140,101	114,000	111,578	-	774,891
Total current liabilities	10,498,310	95,689	2,241,827	48,135	1,456,816	1,306,892	4,393,203	(7,765,801)	12,275,071
Deferred revenue, net of current portion	-	-	-	-	-	-	-	-	3,867,560
Other liabilities	1,151,944	-	-	-	-	-	-	-	1,151,944
Interest rate swap agreements, less current portion	2,541,022	-	-	-	104,862	100,067	569,411	-	3,315,362
Long-term debt, less current portion	15,182,008	-	-	-	1,484,839	2,584,000	5,279,894	-	24,530,741
Total liabilities	29,373,284	95,689	2,241,827	48,135	3,046,517	7,858,519	10,242,508	(7,765,801)	45,140,678
Net assets:									
Unrestricted	10,274,993	1,654,883	(1,980,471)	137,496	(320,485)	537,542	1,199,693	-	11,503,651
Temporarily restricted	436,789	2,285	4,882	-	27,045	-	123,326	-	594,327
Permanently restricted	4,286,119	-	-	35,124	23,826	4,689,147	459,809	-	9,494,025
Total net assets (deficit)	14,997,901	1,657,168	(1,975,589)	172,620	(269,614)	5,226,689	1,782,828	-	21,592,003
	\$44,371,185	\$1,752,857	\$ 266,238	\$ 220,755	\$2,776,903	\$13,085,208	\$12,025,336	\$(7,765,801)	\$66,732,681

* Includes Agency Realty, Inc., Special Transit Service, Inc., and Manchester Alcoholism Rehabilitation Center

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended August 31, 2012

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Public support and revenue:									
Public support:									
Contributions	\$ 1,156,204	\$ 1,724	\$ 32,327	\$ 20,558	\$ -	\$ 38,367	\$ 713,660	\$ -	\$ 1,962,840
Special events, net	334,262	2,290	50,586	100,824	-	60,337	637,478	-	1,185,777
Annual campaigns, net	407,951	4,795	21,089	33,306	-	10,830	-	-	477,971
Bequests	(3,000)	-	-	-	-	8,761	122,000	-	127,761
Total public support	1,895,417	8,809	104,002	154,688	-	118,295	1,473,138	-	3,754,349
Revenue:									
Fees and grants from governmental agencies	38,080,929	2,551,544	1,360,880	996,191	-	768,513	20,611,277	(12,840)	64,356,494
Other fees and grants	20,545,703	561,452	15,351	68,030	-	25,818	5,567,285	-	26,783,639
Sales to public	4,057,412	-	-	-	-	-	-	-	4,057,412
Dividend and interest income	322,079	-	-	1,413	-	308,690	51,918	-	684,100
Rental income	320	-	-	-	-	-	140,053	-	140,373
Intercompany revenue	1,933,277	-	-	-	-	-	18,388	(1,951,665)	-
Other	141,239	14,553	1,075	3,170	-	428,169	54,056	-	642,262
Total revenue	65,080,959	3,127,549	1,377,306	1,068,804	-	1,531,190	26,442,977	(1,964,505)	96,664,280
Total public support and revenue	66,976,376	3,136,358	1,481,308	1,223,492	-	1,649,485	27,916,115	(1,964,505)	100,418,629
Operating expenses:									
Program services:									
Public health education	264,402	1,099	2,195	4,160	-	-	323,778	-	595,634
Professional education	22,251	-	-	-	-	-	-	-	22,251
Direct services	56,877,121	2,829,132	1,517,264	980,690	-	1,463,963	25,003,349	(256,172)	88,415,347
Total program services	57,163,774	2,830,231	1,519,459	984,850	-	1,463,963	25,327,127	(256,172)	89,033,232

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Supporting services:									
Management and general Fundraising	\$ 7,553,872 712,742	\$ 259,458 24,527	\$ 146,294 92,116	\$ 101,051 133,417	\$ — —	\$ 172,564 265,115	\$ 2,175,566 654,438	\$ (1,708,333) —	\$ 8,700,472 1,882,355
Total supporting services	<u>8,266,614</u>	<u>283,985</u>	<u>238,410</u>	<u>234,468</u>	<u>—</u>	<u>437,679</u>	<u>2,830,004</u>	<u>(1,708,333)</u>	<u>10,582,827</u>
Total functional expenses	65,430,388	3,114,216	1,757,869	1,219,318	—	1,901,642	28,157,131	(1,964,405)	99,616,059
Support of National programs	25,325	—	595	3,768	—	5,943	99,256	—	134,887
Total operating expenses	<u>65,455,713</u>	<u>3,114,216</u>	<u>1,758,464</u>	<u>1,223,086</u>	<u>—</u>	<u>1,907,585</u>	<u>28,256,387</u>	<u>(1,964,405)</u>	<u>99,750,946</u>
Increase (decrease) in net assets from operations	1,520,663	22,142	(277,156)	406	—	(258,100)	(340,272)	—	667,683
Other nonoperating expenses, gains and losses:									
Change in fair value of interest rate swaps	(939,843)	—	—	—	—	19,090	(341,643)	—	(1,262,396)
Net realized and unrealized gains on investments	456,206	—	—	—	—	100,791	12,330	—	569,327
Increase (decrease) in fair value of beneficial interest in trust held by others	1,678	—	—	(636)	—	310,400	34,132	—	345,574
Gain on sales and disposals of property, plant and equipment	3,337	—	—	—	—	—	905	—	4,442
	<u>(478,422)</u>	<u>—</u>	<u>—</u>	<u>(636)</u>	<u>—</u>	<u>430,281</u>	<u>(294,276)</u>	<u>—</u>	<u>(343,053)</u>
Increase (decrease) in net assets before effects of discontinued operations	1,042,241	22,142	(277,156)	(230)	—	172,181	(634,548)	—	324,630
Gain (loss) from discontinued operations	116,431	(168,673)	—	—	574,040	—	—	—	521,798
Total increase (decrease) in net assets	1,158,672	(146,531)	(277,156)	(230)	574,040	172,181	(634,548)	—	846,428
Net assets (deficit) at beginning of year	14,997,901	1,657,168	(1,975,589)	172,620	(269,614)	5,226,689	1,782,828	—	21,592,003
Net assets (deficit) at end of year	<u>\$ 16,156,573</u>	<u>\$ 1,510,637</u>	<u>\$ (2,252,745)</u>	<u>\$ 172,390</u>	<u>\$ 304,426</u>	<u>\$ 5,398,870</u>	<u>\$ 1,148,280</u>	<u>\$ —</u>	<u>\$ 22,438,431</u>

* Includes Agency Realty, Inc., Special Transit Service, Inc., Webster Place Inc., and Manchester Alcoholism Rehabilitation Center

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended August 31, 2011

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	<u>Total</u>
Public support and revenue:									
Public support:									
Contributions	\$ 824,244	\$ 7,317	\$ 36,918	\$ 24,109	\$ -	\$ 71,360	\$ 477,590	\$ -	\$ 1,441,538
Special events, net	312,172	13,188	56,893	80,422	-	4,748	719,251	-	1,186,674
Annual campaigns, net	454,178	13,607	26,232	28,398	-	7,787	-	-	530,202
Bequests	<u>32,446</u>	-	-	-	-	<u>10,000</u>	<u>31,087</u>	-	<u>73,533</u>
Total public support	1,623,040	34,112	120,043	132,929	-	93,895	1,227,928	-	3,231,947
Revenue:									
Fees and grants from governmental agencies	36,500,304	2,256,303	1,361,672	885,469	-	744,644	15,117,126	-	56,865,518
Other fees and grants	21,823,453	601,541	20,500	102,142	-	18,495	7,131,922	-	29,698,053
Start-up programs	-	-	-	-	-	-	161,178	-	161,178
Sales to public	3,617,280	-	-	-	-	-	-	(7,114)	3,610,166
Dividend and interest income	259,210	-	1	1,547	-	302,738	59,425	-	622,921
Rental income	-	-	-	-	-	-	141,855	-	141,855
Intercompany revenue	2,077,234	-	-	-	-	-	-	(2,077,234)	-
Other	<u>194,039</u>	<u>9,373</u>	<u>4,976</u>	<u>250</u>	-	<u>268,584</u>	<u>66,211</u>	<u>(625)</u>	<u>542,808</u>
Total revenue	64,471,520	2,867,217	1,387,149	989,408	-	1,334,461	22,677,717	(2,084,973)	91,642,499
Total public support and revenue	66,094,560	2,901,329	1,507,192	1,122,337	-	1,428,356	23,905,645	(2,084,973)	94,874,446
Operating expenses:									
Program services:									
Public health education	277,510	-	1,069	1,461	-	-	342,355	-	622,395
Professional education	22,136	-	-	-	-	-	-	-	22,136
Program start-up	-	-	-	-	-	-	595,904	-	595,904
Direct services	<u>55,481,073</u>	<u>2,609,075</u>	<u>1,462,529</u>	<u>871,968</u>	-	<u>1,372,947</u>	<u>20,680,425</u>	<u>(232,359)</u>	<u>82,245,658</u>
Total program services	55,780,719	2,609,075	1,463,598	873,429	-	1,372,947	21,618,684	(232,359)	83,486,093

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Supporting services:									
Management and general	\$ 7,678,677	\$ 336,385	\$ 174,608	\$ 90,372	\$ -	\$ 271,894	\$ 1,887,022	\$ (1,852,614)	\$ 8,586,344
Fundraising	754,830	34,769	129,734	98,071	-	128,365	708,217	-	1,853,986
Total supporting services	8,433,507	371,154	304,342	188,443	-	400,259	2,595,239	(1,852,614)	10,440,330
Total functional expenses	64,214,226	2,980,229	1,767,940	1,061,872	-	1,773,206	24,213,923	(2,084,973)	93,926,423
Support of National programs	25,325	-	595	435	-	5,487	91,309	-	123,151
Total operating expenses	64,239,551	2,980,229	1,768,535	1,062,307	-	1,778,693	24,305,232	(2,084,973)	94,049,574
Increase (decrease) in net assets from operations	1,855,009	(78,900)	(261,343)	60,030	-	(350,337)	(399,587)	-	824,872
Other nonoperating expenses, gains and losses:									
Change in fair value of interest rate swaps	139,733	-	-	-	-	(117,098)	(715,743)	-	(693,108)
Net realized and unrealized gains (losses) on investments	877,877	-	-	-	-	76,781	(11,820)	-	942,838
Increase in fair value of beneficial interest in trust held by others	2,862	-	-	2,627	-	264,288	22,987	-	292,764
Gain (loss) on sales and disposals of property, plant and equipment	7,977	-	-	-	-	209,578	(17,278)	-	200,277
	1,028,449	-	-	2,627	-	433,549	(721,854)	-	742,771
Increase (decrease) in net assets before effects of discontinued operations	2,883,458	(78,900)	(261,343)	62,657	-	83,212	(1,121,441)	-	1,567,643
(Loss) gain from discontinued operations	(667)	106,797	-	-	(803,373)	-	-	-	(697,243)
Total increase (decrease) in net assets	2,882,791	27,897	(261,343)	62,657	(803,373)	83,212	(1,121,441)	-	870,400
Net assets (deficit) at beginning of year	12,115,110	1,629,271	(1,714,246)	109,963	533,759	5,143,477	2,904,269	-	20,721,603
Net assets (deficit) at end of year	\$ 14,997,901	1,657,168	\$ (1,975,589)	\$ 172,620	\$ (269,614)	\$ 5,226,689	\$ 1,782,828	\$ -	\$ 21,592,003

* Includes Agency Realty, Inc., Special Transit Service, Inc., and Manchester Alcoholism Rehabilitation Center

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2012

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Salaries and related expenses	\$ 47,705,820	\$ 2,331,243	\$ 1,410,730	\$ 887,734	\$ -	\$ 983,598	\$ 20,516,610	\$ -	\$ 73,835,735
Professional fees	7,204,274	418,106	117,769	159,033	-	229,769	3,717,969	(1,951,665)	9,895,255
Supplies	1,833,802	15,939	21,141	7,528	-	83,189	807,263	-	2,768,862
Telephone	658,624	18,761	8,140	6,753	-	23,356	141,152	-	856,786
Postage and shipping	93,400	1,684	3,375	1,912	-	3,904	31,459	-	135,734
Occupancy	2,129,899	64,424	159,367	82,431	-	153,235	1,523,589	-	4,112,945
Outside printing, artwork and media	76,600	2,871	5,210	6,094	-	4,745	25,631	-	121,151
Travel	2,262,922	104,480	16,297	39,640	-	25,752	256,872	-	2,705,963
Conventions and meetings	221,002	34,900	3,954	2,011	-	10,432	123,088	-	395,387
Specific assistance to individuals	654,429	107,006	120	-	-	-	165,496	(12,840)	914,211
Dues and subscriptions	24,855	200	535	573	-	350	18,869	-	45,382
Minor equipment purchases and equipment rental	545,315	11,639	6,373	21,414	-	27,109	83,587	-	695,437
Ads, fees and miscellaneous	27,547	1,165	2,123	143	-	29,194	(3,112)	-	57,060
Interest	794,332	-	-	-	-	132,478	296,755	-	1,223,565
Bad debt provision	27,075	-	-	1,925	-	2,600	14,744	-	46,344
Depreciation and amortization	1,170,492	1,798	2,735	2,127	-	191,931	437,159	-	1,806,242
	<u>\$ 65,430,388</u>	<u>\$ 3,114,216</u>	<u>\$ 1,757,869</u>	<u>\$ 1,219,318</u>	<u>\$ -</u>	<u>\$ 1,901,642</u>	<u>\$ 28,157,131</u>	<u>\$ (1,964,505)</u>	<u>\$ 99,616,059</u>

* Includes Agency Realty, Inc., Special Transit Service, Inc., Webster Place Inc., and Manchester Alcoholism Rehabilitation Center

EASTER SEALS NEW HAMPSHIRE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2011

	* New Hampshire	Vermont	Maine	Rhode Island	Harbor Schools, Inc.	Connecticut	New York	Elimi- nations	Total
Salaries and related expenses	\$ 45,570,108	\$ 2,121,498	\$ 1,379,430	\$ 748,750	\$ -	\$ 731,224	\$ 17,687,457	\$ -	\$ 68,238,467
Professional fees	7,905,517	456,288	176,987	157,886	-	333,347	3,374,764	(2,077,859)	10,326,930
Supplies	1,844,237	19,635	25,596	22,499	-	77,577	674,979	-	2,664,523
Telephone	595,244	18,928	6,736	5,399	-	37,196	117,410	-	780,913
Postage and shipping	97,433	1,446	3,955	2,792	-	3,696	42,362	-	151,684
Occupancy	2,010,147	61,158	151,816	64,283	-	228,987	1,325,452	-	3,841,843
Outside printing, artwork and media	102,428	3,779	3,481	6,659	-	6,189	37,539	-	160,075
Travel	2,134,911	106,763	17,079	36,079	-	24,994	227,086	(7,114)	2,539,798
Conventions and meetings	274,534	34,976	3,146	8,820	-	4,757	217,978	-	544,211
Specific assistance to individuals	718,567	130,056	106	34	-	-	97,037	-	945,800
Dues and subscriptions	18,919	384	2,021	881	-	3,806	6,906	-	32,917
Minor equipment purchases and equipment rental	445,737	21,030	15,224	22,282	-	10,068	110,291	-	624,632
Ads, fees and miscellaneous	104,477	1,885	2,628	563	-	1,623	34,829	-	146,005
Interest	793,231	-	-	-	-	115,089	60,343	-	968,663
Bad debt provision	383,584	(2)	(26,362)	(18,108)	-	58	(19,000)	-	320,170
Depreciation and amortization	1,215,152	2,405	6,097	3,053	-	194,595	218,490	-	1,639,792
	<u>\$ 64,214,226</u>	<u>\$ 2,980,229</u>	<u>\$ 1,767,940</u>	<u>\$ 1,061,872</u>	<u>\$ -</u>	<u>\$ 1,773,206</u>	<u>\$ 24,213,923</u>	<u>\$ (2,084,973)</u>	<u>\$ 93,926,423</u>

* Includes Agency Realty, Inc., Special Transit Service, Inc., and Manchester Alcoholism Rehabilitation Center