

**SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST**

**INDEPENDENT AUDITOR'S REPORT,
COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2014 AND 2013

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
COMBINED FINANCIAL STATEMENTS	
Combined Statements of Financial Position	2
Combined Statement of Activities - 2014	3
Combined Statement of Activities - 2013	4
Combined Statements of Cash Flows	5
Combined Statement of Functional Expenses - 2014	6
Combined Statement of Functional Expenses - 2013	7
Notes to Combined Financial Statements	8
SUPPLEMENTAL INFORMATION	
Combining Schedule of Financial Position - 2014	26
Combining Schedule of Activities - 2014	27
Combining Schedule of Financial Position - 2013	28
Combining Schedule of Activities - 2013	29

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust
Palmetto, Florida

Report on the Financial Statements

We have audited the accompanying combined financial statements of Southeastern Guide Dogs, Inc. (the School) and Southeastern Guide Dogs, Inc. Endowment Trust (the Trust), collectively referred to as the Organization, which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities, cash flows and functional expenses for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors
Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust
Palmetto, Florida

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Guide Dogs, Inc. and Southeastern Guide Dogs, Inc. Endowment Trust as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has not been subjected to the auditing procedures applied in the audits of the combined financial statements. Accordingly, it is inappropriate to and we do not express an opinion on the supplemental information referred to above.

Sarasota, Florida
October 24, 2014

A handwritten signature in black ink that reads "Berkering Barbano & Co." in a cursive script.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents		
Unrestricted	\$ 1,274,169	\$ 518,967
Restricted for temporarily restricted purposes	507,230	2,001,088
Restricted for permanently restricted purposes	91,492	504,735
Total cash and cash equivalents	<u>1,872,891</u>	<u>3,024,790</u>
Accrued interest receivable	8,595	10,739
Pledges receivable (Note 11)	1,605,055	26,300
Prepaid expenses and other assets	81,752	75,572
Merchandise inventory	96,511	50,035
Investments (Note 3)		
Restricted for gift annuity liability	110,090	123,971
Unrestricted	8,444,453	7,574,578
Temporarily restricted	2,259,062	2,386,779
Permanently restricted	3,127,237	2,476,735
Total investments	<u>13,940,842</u>	<u>12,562,063</u>
Bequests and estates receivable	546,762	1,303,367
Charitable trusts receivable	1,279,279	1,162,763
Assets held for sale (Note 10)	399,000	399,000
Property and equipment, net (Note 2)	<u>5,601,689</u>	<u>3,447,236</u>
 Total Assets	 <u>\$ 25,432,376</u>	 <u>\$ 22,061,865</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 414,996	\$ 408,016
Gift annuity liability	110,090	123,971
Total liabilities	<u>525,086</u>	<u>531,987</u>
Net Assets		
Unrestricted - undesignated	2,059,981	2,950,614
Board designated funds for operating support	6,822,665	6,557,737
Investment in property and equipment	5,601,689	3,447,236
Total unrestricted	<u>14,484,335</u>	<u>12,955,587</u>
Temporarily restricted (Note 8)	7,171,291	5,550,630
Permanently restricted (Note 8)	3,251,664	3,023,661
Total net assets	<u>24,907,290</u>	<u>21,529,878</u>
 Total Liabilities and Net Assets	 <u>\$ 25,432,376</u>	 <u>\$ 22,061,865</u>

The accompanying notes are an integral
part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED TOTALS FOR 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue			
Individuals	\$ 730,272	\$ 2,733,227	\$
Bequests	1,677,901	84,233	
Lions Club	130,857	102,399	
Service clubs	97,321	283,088	
CFC project	102,526	80	205
Foundations	716,518	1,287,429	5,000
Corporate donations	124,193	176,539	750
Contributed services	365,852		
Other revenue	142,594		
Merchandise sales, net of cost of sales of \$260,151	(38,861)		
Special events, net of direct costs of \$238,748	465,986		
Gain on disposal of assets	1,700		
Realized gain on investments	209,653	65,429	52,650
Unrealized gain (loss) on investments	522,183	213,378	173,274
Investment income	278,606	63,183	(450)
Total support and revenue	<u>5,527,301</u>	<u>5,008,985</u>	<u>231,429</u>
Net assets released from restrictions	<u>3,484,156</u>	<u>(3,484,156)</u>	
Total support, revenue and releases	<u>9,011,457</u>	<u>1,524,829</u>	<u>231,429</u>
Functional Expenses			
Program services	6,288,553		
Supporting services			
Management and general	662,926		
Fundraising	533,043		
Total functional expenses	<u>7,484,522</u>	<u>-</u>	<u>-</u>
Increase in net assets before change in value of split interest agreements	<u>1,526,935</u>	<u>1,524,829</u>	<u>231,429</u>
Change in value of split interest agreements	<u>1,813</u>	<u>95,832</u>	<u>(3,426)</u>
Increase in net assets	1,528,748	1,620,661	228,003
Net assets - beginning of year	<u>12,955,587</u>	<u>5,550,630</u>	<u>3,023,661</u>
Net assets - end of year	<u>\$ 14,484,335</u>	<u>\$ 7,171,291</u>	<u>\$ 3,251,664</u>

	<u>Total</u>	<u>2013 Total</u>
\$	3,463,499	\$ 1,658,646
	1,762,134	2,143,563
	233,256	193,509
	380,409	276,167
	102,811	90,868
	2,008,947	1,234,774
	301,482	216,981
	365,852	667,396
	142,594	62,152
	(38,861)	46,949
	465,986	432,035
	1,700	-
	327,732	1,255,101
	908,835	(628,478)
	341,339	383,911
	<u>10,767,715</u>	<u>8,033,574</u>
	-	-
	<u>10,767,715</u>	<u>8,033,574</u>
	6,288,553	6,116,801
	662,926	558,328
	533,043	457,906
	<u>7,484,522</u>	<u>7,133,035</u>
	3,283,193	900,539
	94,219	68,304
	3,377,412	968,843
	21,529,878	20,561,035
\$	<u><u>24,907,290</u></u>	<u><u>\$ 21,529,878</u></u>

The accompanying notes are an integral part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue			
Individuals	\$ 958,382	\$ 700,264	\$
Bequests	2,143,563		
Lions Club	99,605	93,904	
Service clubs	104,640	171,527	
CFC project	90,868		
Foundations	340,747	894,027	
Corporate donations	130,168	86,813	
Contributed services	667,396		
Other revenue	62,152		
Merchandise sales, net of cost of sales of \$119,464	46,949		
Special events, net of direct costs of \$122,972	432,035		
Gain on disposal of assets			
Realized gain on investments	843,047	320,590	91,464
Unrealized gain (loss) on investments	(432,733)	(161,385)	(34,360)
Investment income	311,240	65,302	7,369
Total support and revenue	<u>5,798,059</u>	<u>2,171,042</u>	<u>64,473</u>
Net assets released from restrictions	<u>2,032,236</u>	<u>(2,032,236)</u>	
Total support, revenue and releases	<u>7,830,295</u>	<u>138,806</u>	<u>64,473</u>
Functional Expenses			
Program services	6,116,801		
Supporting services			
Management and general	558,328		
Fundraising	457,906		
Total functional expenses	<u>7,133,035</u>	<u>-</u>	<u>-</u>
Increase in net assets before change in value of split interest agreements	<u>697,260</u>	<u>138,806</u>	<u>64,473</u>
Change in value of split interest agreements	<u>(1,742)</u>	<u>78,391</u>	<u>(8,345)</u>
Increase in net assets	695,518	217,197	56,128
Transfers in (out)	192,194	(192,194)	
Net assets - beginning of year	<u>12,067,875</u>	<u>5,525,627</u>	<u>2,967,533</u>
Net assets - end of year	<u>\$ 12,955,587</u>	<u>\$ 5,550,630</u>	<u>\$ 3,023,661</u>

	<u>Total</u>	<u>2014 Total</u>
\$	1,658,646	\$ 3,463,499
	2,143,563	1,762,134
	193,509	233,256
	276,167	380,409
	90,868	102,811
	1,234,774	2,008,947
	216,981	301,482
	667,396	365,852
	62,152	142,594
	46,949	(38,861)
	432,035	465,986
	-	1,700
	1,255,101	327,732
	(628,478)	908,835
	383,911	341,339
	<u>8,033,574</u>	<u>10,767,715</u>
	-	-
	<u>8,033,574</u>	<u>10,767,715</u>
	6,116,801	6,288,553
	558,328	662,926
	457,906	533,043
	<u>7,133,035</u>	<u>7,484,522</u>
	900,539	3,283,193
	68,304	94,219
	968,843	3,377,412
	-	-
	<u>20,561,035</u>	<u>21,529,878</u>
\$	<u><u>21,529,878</u></u>	\$ <u><u>24,907,290</u></u>

The accompanying notes are an integral part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 3,377,412	\$ 968,843
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	455,126	348,136
Realized and unrealized (gain) loss on investments	(1,236,567)	(626,623)
Change in value of split interest agreements	(94,219)	(68,304)
Gain on disposal of assets	(1,700)	-
(Increase) decrease in operating assets		
Accrued interest receivable	2,144	6,467
Pledges receivable	(1,578,755)	314,559
Prepaid expenses and other assets	(6,180)	4,506
Merchandise inventory	(46,476)	(5,588)
Bequests and estates receivable	756,605	9,187
Charitable trusts receivable	(116,516)	(13,692)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	6,980	132,816
Gift annuity liability	80,338	(16,380)
Total adjustments	<u>(1,779,220)</u>	<u>85,084</u>
Net cash provided by operating activities	<u>1,598,192</u>	<u>1,053,927</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,609,579)	(1,598,584)
Proceeds from the disposal of assets	1,700	-
Purchases of investments	(6,367,361)	(14,918,724)
Proceeds from sales of investments	<u>6,225,149</u>	<u>16,104,007</u>
Net cash used in investing activities	<u>(2,750,091)</u>	<u>(413,301)</u>
Increase (decrease) in cash and cash equivalents	(1,151,899)	640,626
Cash and cash equivalents - beginning of year	<u>3,024,790</u>	<u>2,384,164</u>
Cash and cash equivalents - end of year	<u>\$ 1,872,891</u>	<u>\$ 3,024,790</u>

The accompanying notes are an integral
part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED TOTALS FOR 2013)

	Program Services	Management and General	Fundraising
	<u> </u>	<u> </u>	<u> </u>
Salaries	\$ 3,341,526	\$ 362,160	\$ 202,743
Employee benefits	407,384	26,048	25,443
Payroll taxes	251,925	15,427	17,467
Total personnel expense	<u>4,000,835</u>	<u>403,635</u>	<u>245,653</u>
Advertising and promotions	46,122	4,663	118,497
In-kind advertising and promotions	193,042	244	
Breeding cost, kennel supplies and veterinary services	470,999		
General insurance	103,111	15,824	9,042
Maintenance and equipment	298,109	5,438	2,346
Occupancy	107,559	18,299	18,299
Office	76,270	7,195	9,232
Other	21,721	17,729	17,052
Printing	78,577	1,612	34,814
Professional fees and contracted services	216,849	88,726	44,334
Student meals and other	47,239		
Supplies	64,326	4,526	7,715
Telephone	29,845	861	
Travel	168,826	4,171	26,059
Total functional expenses before depreciation	<u>5,923,430</u>	<u>572,923</u>	<u>533,043</u>
Depreciation	<u>365,123</u>	<u>90,003</u>	
Total functional expenses - 2014	<u>\$ 6,288,553</u>	<u>\$ 662,926</u>	<u>\$ 533,043</u>
Percent of Total - 2014	84.02%	8.86%	7.12%
Total functional expenses - 2013	<u>\$ 6,116,801</u>	<u>\$ 558,328</u>	<u>\$ 457,906</u>
Percent of Total - 2013	85.75%	7.83%	6.42%

	<u>Total</u>	<u>2013 Total</u>
\$	3,906,429	\$ 3,517,440
	458,875	421,878
	284,819	270,324
	<u>4,650,123</u>	<u>4,209,642</u>
	169,282	253,033
	193,286	558,686
	470,999	355,996
	127,977	120,675
	305,893	240,150
	144,157	164,944
	92,697	68,428
	56,502	56,425
	115,003	80,775
	349,909	326,427
	47,239	43,240
	76,567	117,265
	30,706	34,872
	<u>199,056</u>	<u>154,341</u>
	7,029,396	6,784,899
	<u>455,126</u>	<u>348,136</u>
\$	<u>7,484,522</u>	\$ <u>7,133,035</u>
	100.00%	100.00%
\$	<u>7,133,035</u>	
	100.00%	

The accompanying notes are an integral part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013
(WITH SUMMARIZED TOTALS FOR 2014)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Salaries	\$ 3,061,730	\$ 287,388	\$ 168,322
Employee benefits	363,000	35,756	23,122
Payroll taxes	<u>220,961</u>	<u>23,524</u>	<u>25,839</u>
Total personnel expense	3,645,691	346,668	217,283
Advertising and promotions	177,123		75,910
In-kind advertising and promotions	558,686		
Breeding cost, kennel supplies and veterinary services	355,996		
General insurance	92,751	15,633	12,291
Maintenance and equipment	229,952	1,105	9,093
Occupancy	154,802	5,071	5,071
Office	35,538	8,718	24,172
Other	14,086	16,707	25,632
Printing	44,410	1,343	35,022
Professional fees and contracted services	214,548	87,228	24,651
Student meals and other	43,240		
Supplies	103,623	1,543	12,099
Telephone	32,348	1,718	806
Travel	<u>134,817</u>	<u>3,648</u>	<u>15,876</u>
Total functional expenses before depreciation	5,837,611	489,382	457,906
Depreciation	<u>279,190</u>	<u>68,946</u>	
Total functional expenses - 2013	\$ <u>6,116,801</u>	\$ <u>558,328</u>	\$ <u>457,906</u>
Percent of Total - 2013	85.75%	7.83%	6.42%
Total functional expenses - 2014	\$ <u>6,288,553</u>	\$ <u>662,926</u>	\$ <u>533,043</u>
Percent of Total - 2014	84.02%	8.86%	7.12%

<u>Total</u>	<u>2014 Total</u>
\$ 3,517,440	\$ 3,906,429
421,878	458,875
<u>270,324</u>	<u>284,819</u>
4,209,642	4,650,123
253,033	169,282
558,686	193,286
355,996	470,999
120,675	127,977
240,150	305,893
164,944	144,157
68,428	92,697
56,425	56,502
80,775	115,003
326,427	349,909
43,240	47,239
117,265	76,567
34,872	30,706
<u>154,341</u>	<u>199,056</u>
6,784,899	7,029,396
<u>348,136</u>	<u>455,126</u>
\$ <u>7,133,035</u>	\$ <u>7,484,522</u>
100.00%	100.00%
\$ <u>7,484,522</u>	
100.00%	

The accompanying notes are an integral part of these combined financial statements.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies

Organization

Founded in 1982, Southeastern Guide Dogs, Inc. (the School) creates and nurtures a partnership between a visually impaired individual and a guide dog, facilitating life's journey with mobility, independence and dignity. All services - which include selective breeding and expert training for the dogs; meticulously planned on-campus instruction for students; and lifetime follow-up for graduates - are provided at no cost to the students. The School is accredited by the International Guide Dog Federation, based in Reading, England, and is the only such guide dog school in the southeastern United States.

The School owns more than 400 dogs - including puppies, breeder dogs and dogs in training programs - and actively supports more than 1,000 dog/person partnerships at any given time. While the School and its supporters recognize the puppies and dogs as one of the School's most valuable assets, from a financial reporting perspective, the puppies and dogs are not classified as assets of the School, and therefore are not reflected in the combined financial statements.

Paws for Independence™

Paws for Independence matches visually impaired individuals with impeccably trained guide dogs, providing a priceless, independent lifestyle.

Paws for Patriots™

On behalf of American heroes who have sacrificed so much, Southeastern Guide Dogs presents *Paws for Patriots*:

Guide Dogs – pairs highly trained guide dogs with visually impaired veterans. Veterans live and learn on campus, then receive lifetime follow-up and support.

Veteran Service Dogs – trains and places exceptional dogs not suitable for guide work into careers benefitting veterans who suffer from Post Traumatic Stress Disorder. Gaining confidence from these dogs, veterans expand their lives, regain mobility and independence and re-integrate into their communities.

Facility Therapy Dogs – places therapy dogs into military hospitals to spread cheer and encouragement and help wounded warriors heal from their injuries.

Gifted Canines™

Dogs not suited to serve as guides are career changed and enter the Gifted Canine program where other careers await them. These other careers are important and provide great value to people in need of a miracle.

Canine Connections Dogs – selects gentle companion dogs for visually impaired children ages 10 - 17, building a bridge toward a future guide by acclimating the children to the responsibilities and joys of dog ownership.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Organization (Continued)

Gifted Canines™

Public Service Dogs – uses dogs with specific aptitudes for careers in search-and-rescue and arson, bomb, and drug detection.

Ambassador Dogs – places dogs with active volunteers providing outreach, education, and comfort to those in hospitals, nursing homes, hospices and schools.

The School is situated in a peaceful setting on a 35-acre campus on the gulf coast of Florida in beautiful Manatee County. The facilities consist of a student housing and administrative building, a veterinary center, a training kennel, a puppy kennel, and a canine assessment center.

Southeastern Guide Dogs, Inc. is governed by a strong and independent, geographically diverse Board of Directors, which meets quarterly and conducts its business through several committees and taskforces that meet regularly between board meetings.

In 1989, Southeastern Guide Dogs Inc. Endowment Trust (the Trust) was created as a supporting organization to operate exclusively for the charitable, educational, and scientific purposes of the School, including for such purposes of making distributions solely to the School.

Principles of Combination

The combined financial statements include the accounts of Southeastern Guide Dogs, Inc. (the School), and Southeastern Guide Dogs, Inc. Endowment Trust (the Trust), collectively referred to as the Organization. Southeastern Guide Dogs, Inc. holds an economic interest in Southeastern Guide Dogs, Inc. Endowment Trust. All significant inter-company transactions and accounts have been eliminated in the accompanying combined financial statements.

Financial Statements

The combined financial statements and notes are a representation of the Organization's management, which is also responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combined financial statements.

Use of Estimates and Assumptions

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

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Quasi-endowment funds, established by the Board of Directors, are classified as unrestricted.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Revenue Recognition

All contributions and bequests are considered available for unrestricted purposes unless specifically restricted by the respective donor or bequestor.

Contributions and bequests received with donor or bequestor stipulations that limit the use of donated assets are treated as temporarily restricted net assets. When the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Contributions and bequests restricted for the purpose of acquiring or constructing long-lived assets are recorded as temporarily restricted net assets until the long-lived asset is acquired or constructed, at which time the net assets are released from the restriction and reclassified to unrestricted net assets.

Contributions restricted by the donor for endowment purposes are treated as permanently restricted net assets. The principal of the contribution remains intact in perpetuity.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note i - Summary of Significant Accounting Policies (Continued)

Income Tax Status

The School and Trust have been recognized by the Internal Revenue Service as tax-exempt organizations described in Section 501(c)(3) of the Internal Revenue Code. Income earned in furtherance of the School and Trust's tax-exempt purpose is exempt from federal and state income taxes. Therefore, no provision for income taxes has been provided for.

Under the *Income Taxes* Topic of the FASB Accounting Standards Codification, the School and Trust have reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the combined financial statements.

The Organization files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Organization is subject to include fiscal years ended June 30, 2011 through June 30, 2014.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in debt securities and certain equity securities are reported at their fair values in the combined statements of financial position, which represents the value at the date of donation or cost on the date of purchase plus reinvested earnings and appreciation or depreciation. Realized and unrealized gains and losses are included in the combined statements of activities. Realized and unrealized gains and losses and capital gains and losses on permanently restricted investments are recorded as increases or decreases in permanently restricted net assets as required by the Trust Indenture governing permanently restricted contributions to the School. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period they occur. Investments are comprised of equities, fixed income bonds, real estate investment trusts (REITS) and commodities.

Merchandise Inventory

Inventory is recorded at the lower of cost or market and consists of merchandise for resale and dog harnesses. The cost is determined using the first-in first-out method of valuing inventory.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Bequests and Estates Receivable

Bequests and estates are recorded at the date of death and when a reasonable estimate of assets can be completed, if they are expected to be collected within one year. Management believes all are collectible; therefore, no allowance for uncollectible receivables has been recorded.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Property and Equipment

Property and equipment are recorded at cost or at estimated fair value at the date of gift. Property and equipment exceeding \$3,000 and a useful life of one year or longer are capitalized. Depreciation is calculated using the straight-line method over the estimated lives of the assets ranging from three to thirty-nine years. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When assets are impaired, asset values are reduced for this impairment. There was no impairment recognized on property and equipment for the years ended June 30, 2014 and 2013.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Costs are allocated between fundraising, management and general or program services based on evaluations of the related benefits. Management and general expenses include expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the School.

Financial Instruments Not Measured at Fair Value

Certain of the Organization's financial instruments are not measured at fair value on a recurring basis but nevertheless certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, accrued interest receivable, pledges receivable, prepaid expenses and other assets, merchandise inventory, bequests and estates receivable, accounts payable and accrued expenses.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note i - Summary of Significant Accounting Policies (Continued)

Contributed Services

Contributed services reported in the accompanying combined financial statements are mainly comprised of advertising and promotional services for special events and program support. Contributed services for the years ended June 30, 2014 and 2013 totaled \$365,852 and \$667,396, respectively.

Additionally, many volunteers contributed numerous hours of general, program and fundraising services to the School. These hours do not meet the requirements to be recorded as revenue and expenses under accounting principles generally accepted in the United States of America.

Split-Interest Agreements

The Organization has been named remainderman in several irrevocable charitable remainder trusts and gift annuities. The Organization's beneficial interest in the trusts' assets is measured at the present value of the estimated future distributions expected to be received. The discount rate utilized to measure the present value of future distributions is based upon the stated rate of return, ranging from five and one-half percent (5.5%) to nine and one-half percent (9.5%) of the fair value of the trusts' investments, to be received by the designated beneficiaries over the term of the trusts.

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2014	2013
Land	\$ 408,651	\$ 408,651
Building	4,943,941	1,744,216
Kennels	1,361,883	1,430,091
Furniture and equipment	1,078,922	678,116
Transportation equipment	645,585	586,366
Freedom Walk	723,757	716,430
Construction in progress	59,040	1,184,114
	9,221,779	6,747,984
Less accumulated depreciation	3,620,090	3,300,748
Property and equipment, net	\$ 5,601,689	\$ 3,447,236

Depreciation expense for the years ended June 30, 2014 and 2013 totaled \$455,126 and \$348,136, respectively.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 3 - Investments

Investments are presented in the combined financial statements at fair value. Unrealized gains and losses are reflected in the combined statements of activities in the accompanying combined financial statements.

Following is a summary of investments at June 30, 2014:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 5,345,855	\$ 6,087,745	\$ 741,890
Fixed Income	6,807,611	6,791,829	(15,782)
REITS	504,867	518,120	13,253
Commodities	505,023	543,148	38,125
Total investments	<u>\$ 13,163,356</u>	<u>\$ 13,940,842</u>	<u>\$ 777,486</u>

For the year ended June 30, 2014, the Organization had realized gains and unrealized gains on investments of \$327,732 and \$908,835 respectively, and incurred investment broker fees of \$60,635.

Following is a summary of investments at June 30, 2013:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 5,009,123	\$ 5,128,389	\$ 119,266
Fixed Income	6,275,461	6,127,965	(147,496)
REITS	584,601	557,579	(27,022)
Commodities	824,227	748,130	(76,097)
Total investments	<u>\$ 12,693,412</u>	<u>\$ 12,562,063</u>	<u>\$ (131,349)</u>

For the year ended June 30, 2013, the Organization had realized gains and unrealized losses on investments of \$1,255,101 and \$628,478 respectively, and incurred investment broker fees of \$75,573.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 4 - Lease Commitments

The Organization leases office facilities and equipment under operating lease agreements expiring at various times through March 2017.

Minimum annual rental commitments under operating leases are as follows at June 30:

2015	\$	26,861
2016		6,439
2017		4,830
	\$	<u>38,130</u>

Note 5 - Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$362,568 and \$811,719 for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, advertising expense includes \$193,286 and \$558,686 of contributed services which consist of advertising and promotional services for special events and program support. The contributed services are unique to the years presented and the School does not anticipate receiving them for an extended period of time.

Note 6 - Retirement Plan

The School provides a tax deferred annuity retirement plan for full-time eligible employees. The School's contributions to the plan were \$55,220 and \$46,035 for the years ended June 30, 2014 and 2013, respectively.

Note 7 - Financial Instruments with Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash, cash equivalents and investments. The Federal Deposit Insurance Corporation (FDIC) insures cash and other deposits up to \$250,000 at each financial institution. At any given time, the Organization may have cash balances exceeding the insured amount at any one financial institution. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 8 - Net Asset Classifications

The Organization's net assets have been classified into the following categories as of June 30, 2014 and 2013:

Board Designation of Unrestricted Net Assets

It is policy of the Organization's Board of Directors to periodically designate appropriate sums to assure adequate financing of future projects and contingencies. As of June 30, 2014 and 2013, \$6,822,665 and \$6,557,737 has been designated by the board for operating support, respectively.

Temporarily Restricted Net Assets

Temporarily restricted net assets are generated from donor contributions and are restricted as to use within the designations listed below. At June 30, the components of temporarily restricted net assets were as follows:

	2014	2013
Charitable remainder trusts	\$ 1,279,279	\$ 1,162,763
Payroll	27,220	27,469
Guide dog training	2,654,588	2,386,779
Paws for Patriots	375,000	255,000
Paws for Patriots - Veteran Assistance	116,100	73,910
Veterinary Clinic	305,260	942,088
Assessment Center	-	627,082
Student Service Center	2,379,254	-
Other	34,590	75,539
Total temporarily restricted net assets	\$ 7,171,291	\$ 5,550,630

Permanently Restricted Net Assets

The Trust's permanently restricted net assets are held in perpetuity and certain components of income are earmarked for unrestricted purposes. At June 30, the components of permanently restricted net assets were as follows:

	2014	2013
Charitable gift annuities	\$ 108,635	\$ 112,061
Endowments	3,143,029	2,911,600
Total permanently restricted net assets	\$ 3,251,664	\$ 3,023,661

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 9 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors as follows:

	2014	2013
Veterinary Clinic	\$ 842,678	\$ 843,949
Paws for Patriots	835,706	379,622
Paws for Patriots - Veteran Assistance	74,310	333,829
Guide dog training	63,837	96,563
Assessment Center	1,316,611	93,700
Freedom Walk	-	40,868
Kennel Enrichment	39,607	9,826
Payroll	248	1,953
Other	311,159	231,926
Total net assets released from restrictions	\$ 3,484,156	\$ 2,032,236

Note 10 - Assets Held For Sale

During 2007, the School received land valued at \$588,000. During the year ended June 30, 2011, the School recognized a loss of \$189,000 on the assets held for sale due to the deterioration of market conditions. For the fiscal years ended June 30, 2014 and 2013, the balance of assets held for sale consists of land valued at \$399,000. It is not the intention of the School to utilize these assets for purposes other than selling them for cash. As such, they have been segregated from property and equipment, and are shown as assets held for sale. The School's policy is to hold assets held for sale at fair value less anticipated costs to sell.

Note 11 - Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2014	2013
Pledges receivable	\$ 1,939,725	\$ 26,300
Less: discount to net present value	(334,670)	-
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	1,605,055	26,300
Less current portion	558,161	23,800
Amount collectible within 2-5 years	\$ 1,046,894	\$ 2,500

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 12 - Fair Value of Financial Assets and Liabilities

The Organization values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The *Fair Value Measurements and Disclosure* Topic requires the Organization to present fair value measurements separately for each class of assets and liabilities as of June 30, 2014 and 2013.

The following table presents information about the Organization's classes of assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2014 and 2013, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quotes prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstance.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 12 - Fair Value of Financial Assets and Liabilities (Continued)

Description	June 30, 2014	Assets and Liabilities Measured at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
U.S. large cap	\$ 2,508,565	\$ 2,508,565	\$	\$
U.S. mid cap	262,906	262,906		
U.S. small cap	177,051	177,051		
Internationally developed	2,199,536	2,199,536		
Emerging markets	939,687	939,687		
Total equities	<u>6,087,745</u>	<u>6,087,745</u>	<u>-</u>	<u>-</u>
Fixed Income				
Investment grade taxable	4,933,804		4,933,804	
Inflation linked	559,344		559,344	
Other bonds	472,863		472,863	
Global high yield taxable	825,818		825,818	
Total fixed income	<u>6,791,829</u>	<u>-</u>	<u>6,791,829</u>	<u>-</u>
REITS	518,120	518,120		
Commodities	543,148	543,148		
Total investments	<u>13,940,842</u>	<u>7,149,013</u>	<u>6,791,829</u>	<u>-</u>
Charitable trusts receivable	1,279,279		1,279,279	
Total assets at fair value	<u>\$ 15,220,121</u>	<u>\$ 7,149,013</u>	<u>\$ 8,071,108</u>	<u>\$ -</u>
Gift annuity liability	\$ 110,090	\$	\$	\$ 110,090

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 12 - Fair Value of Financial Assets and Liabilities (Continued)

Investment grade taxable, inflation linked, other bonds and global high yield taxable - The fair value is determined using a market approach which uses direct and indirect observable information including quoted prices for similar assets and interest rate information (Level 2).

Charitable trusts receivable - The fair value of these assets are estimated by discounting future cash flows and management's best estimate of collectability (Level 2).

Gift annuity liability - The fair value of these liabilities are estimated by discounting future cash flows using actuarial rates from mortality tables (Level 3).

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2014:

	Gift Annuity Liability
Beginning balance	\$ 123,971
Change in value of split interest agreements	858
Annuity payments	(14,739)
Ending balance	\$ 110,090

The following table presents information about the Organization's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2013 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 12 - Fair Value of Financial Assets and Liabilities (Continued)

Description	June 30, 2013	Assets and Liabilities Measured at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
U.S. large cap	\$ 2,338,826	\$ 2,338,826	\$	\$
U.S. mid cap	164,778	164,778		
U.S. small cap	293,669	293,669		
Internationally developed	1,220,502	1,220,502		
Emerging markets	1,110,614	1,110,614		
Total equities	5,128,389	5,128,389		
Fixed Income				
Investment grade taxable	5,706,132		5,706,132	
Inflation linked	49,722		49,722	
Other bonds	347,990	306,495	41,495	
Global high yield taxable	24,121		24,121	
Total fixed income	6,127,965	306,495	5,821,470	
REITS	557,579	557,579		
Commodities	748,130	748,130		
Total investments	12,562,063	6,740,593	5,821,470	
Charitable trusts receivable	1,162,763		1,162,763	
Total assets at fair value	\$ 13,724,826	\$ 6,740,593	\$ 6,984,233	\$
Gift annuity liability	\$ 123,971	\$	\$	\$ 123,971

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 12 - Fair Value of Financial Assets and Liabilities (Continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2013:

	Gift Annuity Liability
Beginning balance	\$ 130,264
Change in value of split interest agreements	10,087
Annuity payments	(16,380)
Ending balance	\$ <u>123,971</u>

Note 13 - Endowment

The Organization's endowment consists of funds established for a variety of purposes. Their endowments include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of Relevant Law

When the Endowment Trust (Trust) was established in 1989, the Endowment Trustees approved a Trust Indenture, which describes how the Trust shall invest and preserve the value of donations received. The Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) accumulations of permanently restricted net assets resulting from interpretation of the Trust Indenture.

The Trust Indenture further limits the use of unrealized or realized gains associated with endowment assets. Under the terms of the Trust Agreement, the Trust classifies dividends and interest, net of associated fees, as unrestricted assets available for use on a periodic basis.

Effective July 1, 2012, the Organization adopted Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The adoption of FUPMIFA resulted in no changes to permanently restricted net assets as the Trust Indenture remains the primary guidance on how to administer and account for endowment assets. There were no changes to the Trust Indenture during the years ended June 30, 2014 and 2013.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 13 - Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ -	\$ 3,023,661	\$ 3,023,661
Endowment investment return:			
Interest and dividends		(450)	(450)
Realized and unrealized gains		225,924	225,924
Total endowment investment return	-	225,474	225,474
Contributions		5,955	5,955
Change in value of split-interest agreements		(3,426)	(3,426)
Total endowment activity	-	228,003	228,003
Endowment net assets, June 30, 2014	\$ -	\$ 3,251,664	\$ 3,251,664

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2012	\$ 233,062	\$ 2,967,533	\$ 3,200,595
Endowment investment return:			
Interest and dividends		7,369	7,369
Realized and unrealized gains		57,104	57,104
Total endowment investment return	-	64,473	64,473
Change in value of split-interest agreements		(8,345)	(8,345)
Net assets released from restrictions	(40,868)		(40,868)
Transfer out of Endowment	(192,194)		(192,194)
Total endowment activity	(233,062)	56,128	(176,934)
Endowment net assets, June 30, 2013	\$ -	\$ 3,023,661	\$ 3,023,661

During the year ended June 30, 2013, the Endowment Trustees transferred \$192,194 of temporarily restricted net assets to the unrestricted net assets of the School. These net assets were historically recorded as endowment net assets but were transferred because they relate to revenues collected from the Freedom Walk for the unrestricted benefit of the School.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 13 - Endowment (Continued)

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are shown on the combining schedule of activities on pages 27 and 29 as part of the supplemental information to these combined financial statements.

Return Objectives and Risk Parameters

The Trust 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 the Trust must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets of at least 5.1% while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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). The Organization 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with The Southeastern Guide Dogs, Inc. Endowment Trust Indenture and section 501(c)(3) of the Internal Revenue Code, net income earned by the Endowment Trust, after paying for necessary charges incurred by the funds, is paid to Southeastern Guide Dogs, Inc. and is subject to withdrawal and use in accordance with resolutions adopted by the Board of Directors of Southeastern Guide Dogs, Inc. The spending policy established for the years ended June 30, 2014 and 2013 allows the Organization to spend up to all of the investment earnings each year for general support. Additionally, the Board of Directors has the right to invade principal of the endowment through a Board resolution for an amount not to exceed 10% of the principal balance as of the first day of the month in which the resolution was adopted. This right to invade principal may be exercised not more than once in any calendar year and has not been exercised since the Endowment Trust Fund was established in 1989.

Note 14 - Contingencies

The Organization is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. Management and their legal counsel believe that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014 AND 2013

Note 15 - Related Party Transactions

Board members and members of management are required to complete annual conflict of interest disclosure statements. If a board member, officer or trustee has a conflict of interest or a perceived conflict of interest with Southeastern Guide Dogs, Inc., he or she is required to notify the board chair of such conflict in writing and cannot be present during board or committee discussions or decisions on the matter. Continuous monitoring of all board members and staff takes place as situations occur, with any possible or actual conflicts being addressed and resolved as needed.

Note 16 - Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2014, through the date these combined financial statements were available for issuance, October 24, 2014, and have determined that there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.

SUPPLEMENTAL INFORMATION

SOUTHEASTERN GUIDE DOGS, INC. AND
SOUTHEASTERN GUIDE DOGS, INC. ENDOWMENT TRUST

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2014

<u>Assets</u>	<u>Southeastern Guide Dogs, Inc.</u>	<u>Southeastern Guide Dogs, Inc. Endowment Trust</u>
Cash and cash equivalents		
Unrestricted	\$ 1,274,169	\$
Restricted for temporarily restricted purposes	507,230	
Restricted for permanently restricted purposes		91,492
Total cash and cash equivalents	<u>1,781,399</u>	<u>91,492</u>
Accrued interest receivable	4,573	4,022
Pledges receivable (Note 11)	1,605,055	
Prepaid expenses and other assets	81,752	
Merchandise inventory	96,511	
Investments (Note 3)		
Restricted for gift annuity liability	43,662	66,428
Unrestricted	8,444,453	
Temporarily restricted	2,259,062	
Permanently restricted		3,127,237
Total investments	<u>10,747,177</u>	<u>3,193,665</u>
Bequests and estates receivable	546,762	
Charitable trusts receivable	1,279,279	
Assets held for sale (Note 10)	399,000	
Property and equipment, net (Note 2)	5,601,689	
Due from Southeastern Guide Dogs, Inc.		28,913
Total Assets	\$ <u>22,143,197</u>	\$ <u>3,318,092</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 414,996	\$
Gift annuity liability	43,662	66,428
Due to Southeastern Guide Dogs, Inc. Endowment Trust	28,913	
Total liabilities	<u>487,571</u>	<u>66,428</u>
Net Assets		
Unrestricted - undesignated	2,059,981	
Board designated funds for operating support	6,822,665	
Investment in property and equipment	5,601,689	
Total unrestricted	<u>14,484,335</u>	<u>-</u>
Temporarily restricted (Note 8)	7,171,291	
Permanently restricted (Note 8)		3,251,664
Total net assets	<u>21,655,626</u>	<u>3,251,664</u>
Total Liabilities and Net Assets	\$ <u>22,143,197</u>	\$ <u>3,318,092</u>

<u>Eliminations</u>	<u>Total</u>
\$	\$ 1,274,169
	507,230
	91,492
<u>-</u>	<u>1,872,891</u>
	8,595
	1,605,055
	81,752
	96,511
	110,090
	8,444,453
	2,259,062
	3,127,237
<u>-</u>	<u>13,940,842</u>
	546,762
	1,279,279
	399,000
	5,601,689
<u>(28,913)</u>	<u>-</u>
<u>\$ (28,913)</u>	<u>\$ 25,432,376</u>
\$	\$ 414,996
	110,090
<u>(28,913)</u>	<u>-</u>
<u>(28,913)</u>	<u>525,086</u>
	2,059,981
	6,822,665
	5,601,689
<u>-</u>	<u>14,484,335</u>
	7,171,291
	3,251,664
<u>-</u>	<u>24,907,290</u>
<u>\$ (28,913)</u>	<u>\$ 25,432,376</u>

See Independent Auditor's Report.

