

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2018 and 2017

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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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

A handwritten signature in black ink that reads "Keating Barkins & Co." The signature is written in a cursive style with a large, stylized initial 'K'.

Sarasota, Florida
November 9, 2018

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**
Combined Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents:		
Unrestricted	\$ 5,394,369	\$ 2,405,058
Restricted for temporarily restricted purposes	4,250	6,454,307
Restricted for permanently restricted purposes	87,114	338,813
Total cash and cash equivalents	5,485,733	9,198,178
Accrued interest receivable	13,314	8,300
Pledges receivable, net (Note 13)	1,015,975	2,228,666
Prepaid expenses and other assets	88,513	76,667
Merchandise inventory	40,746	33,158
Investments (Note 4):		
Restricted for gift annuity liability	75,563	86,584
Unrestricted	13,234,055	10,241,392
Temporarily restricted	2,579,357	2,231,036
Permanently restricted	4,067,639	3,331,728
Total investments	19,956,614	15,890,740
Bequests and estates receivable	394,883	142,171
Charitable trusts receivable	305,578	288,481
Mortgage receivable	105,175	-
Assets held for sale (Note 12)	325,000	399,000
Property and equipment, net (Note 3)	24,446,974	18,579,050
 Total Assets	 \$ 52,178,505	 \$ 46,844,411
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,293,815	\$ 768,876
Gift annuity liability	75,563	86,584
Total liabilities	1,369,378	855,460
 Net Assets:		
Unrestricted - undesignated	7,495,442	4,631,099
Board designated funds for operating support	8,571,469	6,423,679
Investment in property and equipment	24,446,974	18,579,050
Total unrestricted	40,513,885	29,633,828
Temporarily restricted (Note 10)	6,256,875	12,673,129
Permanently restricted (Note 10)	4,038,367	3,681,994
Total net assets	50,809,127	45,988,951
 Total Liabilities and Net Assets	 \$ 52,178,505	 \$ 46,844,411

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Statement of Activities

Year Ended June 30, 2018

(With Summarized Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue:			
Individuals	\$ 1,955,676	\$ 1,385,168	\$ 72,070
Bequests	4,960,621	-	125,456
Lions Club	175,765	62,448	-
Service clubs	64,429	341,062	-
CFC project	71,776	9,347	604
Foundations	1,165,499	1,665,842	8,724
Corporate donations	309,972	888,132	4,026
Contributed services (Note 2)	6,874,495	-	-
Other revenue	198,577	-	-
Merchandise sales, net of cost of sales of \$27,124	27,413	-	-
Special events, net of direct costs of \$750,715	1,016,983	-	-
Loss on disposal of assets	(121,617)	-	-
Realized gain on investments, net	64,344	71,571	150,133
Unrealized gain (loss) on investments, net	(110,491)	(23,203)	7,097
Investment income	494,811	76,129	(6,154)
Total support and revenue	<u>17,148,253</u>	<u>4,476,496</u>	<u>361,956</u>
Net assets released from restrictions	10,924,102	(10,924,102)	-
Total support, revenue and releases	<u>28,072,355</u>	<u>(6,447,606)</u>	<u>361,956</u>
Functional Expenses:			
Program services	13,179,834	-	-
Supporting services:			
Management and general	1,142,700	-	-
Fundraising	2,873,722	-	-
Total functional expenses	<u>17,196,256</u>	<u>-</u>	<u>-</u>
Change in net assets before change in value of split interest agreements	<u>10,876,099</u>	<u>(6,447,606)</u>	<u>361,956</u>
Change in value of split interest agreements	<u>3,958</u>	<u>31,352</u>	<u>(5,583)</u>
Change in net assets	10,880,057	(6,416,254)	356,373
Net assets - beginning of year	29,633,828	12,673,129	3,681,994
Net assets - end of year	<u>\$ 40,513,885</u>	<u>\$ 6,256,875</u>	<u>\$ 4,038,367</u>

	<u>Total</u>	<u>2017 Total</u>
\$	3,412,914	\$ 3,458,754
	5,086,077	1,903,605
	238,213	202,315
	405,491	253,950
	81,727	86,590
	2,840,065	2,549,562
	1,202,130	797,556
	6,874,495	8,828,841
	198,577	204,556
	27,413	19,683
	1,016,983	770,979
	(121,617)	(194,790)
	286,048	549,590
	(126,597)	83,373
	564,786	411,677
	<u>21,986,705</u>	<u>19,926,241</u>
	-	-
	<u>21,986,705</u>	<u>19,926,241</u>
	13,179,834	14,331,909
	1,142,700	973,862
	2,873,722	2,771,143
	<u>17,196,256</u>	<u>18,076,914</u>
	<u>4,790,449</u>	<u>1,849,327</u>
	<u>29,727</u>	<u>16,273</u>
	4,820,176	1,865,600
	45,988,951	44,123,351
\$	<u><u>50,809,127</u></u>	<u><u>\$ 45,988,951</u></u>

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Statement of Activities

Year Ended June 30, 2017

(With Summarized Totals for 2018)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue:			
Individuals	\$ 2,671,908	\$ 765,846	\$ 21,000
Bequests	1,842,873	60,732	-
Lions Club	183,770	18,545	-
Service clubs	63,529	190,421	-
CFC project	83,072	2,372	1,146
Foundations	1,356,495	1,193,067	-
Corporate donations	238,815	552,241	6,500
Contributed services (Note 2)	8,828,841	-	-
Other revenue	204,556	-	-
Merchandise sales, net of cost of sales of \$29,911	19,683	-	-
Special events, net of direct costs of \$790,361	770,979	-	-
Loss on disposal of assets	(194,790)	-	-
Realized gain on investments, net	379,312	60,935	109,343
Unrealized gain (loss) on investments, net	(65,927)	72,562	76,738
Investment income	343,610	60,263	7,804
Total support and revenue	<u>16,726,726</u>	<u>2,976,984</u>	<u>222,531</u>
Net assets released from restrictions	8,010,959	(8,010,959)	-
Total support, revenue and releases	<u>24,737,685</u>	<u>(5,033,975)</u>	<u>222,531</u>
Functional Expenses:			
Program services	14,331,909	-	-
Supporting services:			
Management and general	973,862	-	-
Fundraising	2,771,143	-	-
Total functional expenses	<u>18,076,914</u>	<u>-</u>	<u>-</u>
Change in net assets before change in value of split interest agreements	<u>6,660,771</u>	<u>(5,033,975)</u>	<u>222,531</u>
Change in value of split interest agreements	<u>3,031</u>	<u>17,047</u>	<u>(3,805)</u>
Change in net assets	6,663,802	(5,016,928)	218,726
Net assets - beginning of year	22,970,026	17,690,057	3,463,268
Net assets - end of year	<u>\$ 29,633,828</u>	<u>\$ 12,673,129</u>	<u>\$ 3,681,994</u>

	<u>Total</u>	<u>2018 Total</u>
\$	3,458,754	\$ 3,412,914
	1,903,605	5,086,077
	202,315	238,213
	253,950	405,491
	86,590	81,727
	2,549,562	2,840,065
	797,556	1,202,130
	8,828,841	6,874,495
	204,556	198,577
	19,683	27,413
	770,979	1,016,983
	(194,790)	(121,617)
	549,590	286,048
	83,373	(126,597)
	411,677	564,786
	<u>19,926,241</u>	<u>21,986,705</u>
	-	-
	<u>19,926,241</u>	<u>21,986,705</u>
	14,331,909	13,179,834
	973,862	1,142,700
	2,771,143	2,873,722
	<u>18,076,914</u>	<u>17,196,256</u>
	<u>1,849,327</u>	<u>4,790,449</u>
	<u>16,273</u>	<u>29,727</u>
	1,865,600	4,820,176
	44,123,351	45,988,951
\$	<u><u>45,988,951</u></u>	<u><u>\$ 50,809,127</u></u>

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 4,820,176	\$ 1,865,600
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	961,223	735,989
Realized and unrealized gain on investments, net	(159,451)	(632,963)
Change in value of split interest agreements	(29,727)	(16,273)
Loss on disposal of assets	121,617	194,790
Loss on valuation of assets held for sale	74,000	-
Assignment of mortgage receivable	(106,326)	-
Contributions restricted for long-term investments	(635,664)	(582,380)
Change in operating assets:		
Accrued interest receivable	(5,014)	(1,975)
Prepaid expenses and other assets	(11,846)	(21,033)
Merchandise inventory	(7,588)	197
Pledges receivable, non-capital	63,792	4,536
Bequests and estates receivable	(252,712)	(81,115)
Charitable trusts receivable	14,254	253,970
Change in operating liabilities:		
Accounts payable and accrued expenses	(62,141)	(358,634)
Gift annuity liability	(12,645)	3,472
Total adjustments	(48,228)	(501,419)
Net cash provided by operating activities	4,771,948	1,364,181
Cash Flows from Investing Activities:		
Payments received on mortgage receivable	1,151	-
Purchase of property and equipment	(6,363,684)	(6,584,323)
Purchases of investments	(11,273,924)	(20,603,484)
Proceeds from sales of investments	7,367,501	21,203,320
Net cash used in investing activities	(10,268,956)	(5,984,487)
Cash Flows from Financing Activities:		
Contributions, net of change in pledges, restricted for long-term investments	1,784,563	2,598,578
Change in cash and cash equivalents	(3,712,445)	(2,021,728)
Cash and cash equivalents - beginning of year	9,198,178	11,219,906
Cash and cash equivalents - end of year	\$ 5,485,733	\$ 9,198,178

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Statement of Functional Expenses

Year Ended June 30, 2018

(With Summarized Totals for 2017)

	Program Services	Management and General	Fundraising
Salaries	\$ 4,400,140	\$ 415,876	\$ 775,464
Employee benefits	419,717	39,669	73,969
Payroll taxes	308,765	29,140	54,336
Total personnel expense	5,128,622	484,685	903,769
Advertising and promotions	485,724	5,341	2,663
In-kind advertising and promotions	4,902,400	42,432	1,689,958
Breeding cost, kennel supplies and veterinary services	601,736	-	-
General insurance	134,958	14,761	25,457
Maintenance and equipment	378,811	23,601	23,740
Occupancy	166,299	20,922	14,908
Office	64,389	28,499	11,299
Other	23,189	32,840	37,419
Printing	32,617	4,864	53,773
Professional fees and contracted services	172,475	271,530	70,106
Student meals and other	47,694	-	-
Supplies	85,681	14,490	10,599
Telephone	26,596	3,788	4,892
Travel	158,642	3,725	25,139
Total functional expenses before depreciation	12,409,833	951,478	2,873,722
Depreciation	770,001	191,222	-
Total functional expenses - 2018	\$ 13,179,834	\$ 1,142,700	\$ 2,873,722
Percent of Total - 2018	76.64%	6.65%	16.71%
Total functional expenses - 2017	\$ 14,331,909	\$ 973,862	\$ 2,771,143
Percent of Total - 2017	79.28%	5.39%	15.33%

	<u>Total</u>	<u>2017 Total</u>
\$	5,591,480	\$ 5,004,154
	533,355	570,865
	392,241	343,202
	<u>6,517,076</u>	<u>5,918,221</u>
	493,728	511,981
	6,634,790	8,497,234
	601,736	515,954
	175,176	157,582
	426,152	461,649
	202,129	200,546
	104,187	122,518
	93,448	116,010
	91,254	111,250
	514,111	312,973
	47,694	49,053
	110,770	137,983
	35,276	43,789
	<u>187,506</u>	<u>184,182</u>
	16,235,033	17,340,925
	<u>961,223</u>	<u>735,989</u>
\$	<u><u>17,196,256</u></u>	\$ <u><u>18,076,914</u></u>
	100.00%	100.00%
\$	<u><u>18,076,914</u></u>	
	100.00%	

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combined Statement of Functional Expenses

Year Ended June 30, 2017

(With Summarized Totals for 2018)

	Program Services	Management and General	Fundraising
Salaries	\$ 3,894,440	\$ 378,576	\$ 731,138
Employee benefits	444,271	43,187	83,407
Payroll taxes	266,983	26,183	50,036
Total personnel expense	4,605,694	447,946	864,581
Advertising and promotions	498,024	10,092	3,865
In-kind advertising and promotions	6,759,831	47,445	1,689,958
Breeding cost, kennel supplies and veterinary services	515,954	-	-
General insurance	120,689	12,586	24,307
Maintenance and equipment	431,828	18,295	11,526
Occupancy	172,472	11,017	17,057
Office	76,782	31,253	14,483
Other	32,759	39,205	44,046
Printing	82,926	5,550	22,774
Professional fees and contracted services	122,825	162,551	27,597
Student meals and other	49,053	-	-
Supplies	92,936	33,516	11,531
Telephone	33,268	4,123	6,398
Travel	147,054	4,108	33,020
Total functional expenses before depreciation	13,742,095	827,687	2,771,143
Depreciation	589,814	146,175	-
Total functional expenses - 2017	\$ 14,331,909	\$ 973,862	\$ 2,771,143
Percent of Total - 2017	79.28%	5.39%	15.33%
Total functional expenses - 2018	\$ 13,179,834	\$ 1,142,700	\$ 2,873,722
Percent of Total - 2018	76.64%	6.65%	16.71%

<u>Total</u>	<u>2018 Total</u>
\$ 5,004,154	\$ 5,591,480
570,865	533,355
343,202	392,241
<u>5,918,221</u>	<u>6,517,076</u>
511,981	493,728
8,497,234	6,634,790
515,954	601,736
157,582	175,176
461,649	426,152
200,546	202,129
122,518	104,187
116,010	93,448
111,250	91,254
312,973	514,111
49,053	47,694
137,983	110,770
43,789	35,276
<u>184,182</u>	<u>187,506</u>
17,340,925	16,235,033
<u>735,989</u>	<u>961,223</u>
<u>\$ 18,076,914</u>	<u>\$ 17,196,256</u>
100.00%	100.00%
<u>\$ 17,196,256</u>	
100.00%	

See accompanying notes to combined financial statements.

Southeastern Guide Dogs, Inc. and Southeastern Guide Dogs, Inc. Endowment Trust

Notes to Combined Financial Statements
June 30, 2018 and 2017

I. Organization

Founded in 1982, Southeastern Guide Dogs (the School) employs the latest in canine development and behavior research to create and nurture partnerships between visually impaired individuals and extraordinary guide dogs. 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 derives all of its support from private contributions and receives no government funds.

Accredited by the International Guide Dog Federation and Assistance Dogs International, the school actively supports more than 1,000 dog / person partnerships - including more than 400 guide dog teams - and continues to place more than 100 dogs each year into careers benefiting people with visual impairments and veterans.

While the School and its supporters recognize the puppies and dogs as one of the organization's most valuable assets, from a financial reporting perspective, the puppies and dogs are not classified as assets, and therefore are not reflected in the combined financial statements.

The School is situated in a peaceful setting on a 33-acre campus on the gulf coast of Florida in beautiful Manatee County. The facilities consist of a Student Center, a Veterinary Center, a Training Kennel, a Puppy Academy, 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.

2. Summary of Significant Accounting Policies

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.

Southeastern Guide Dogs, Inc. and Southeastern Guide Dogs, Inc. Endowment Trust

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

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.

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.

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.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

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, 2015 through June 30, 2018.

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.

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.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (Continued)

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, 2018 and 2017.

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 Organization.

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, prepaid expenses and other assets, and accounts payable and accrued expenses.

Contributed Services

Contributed services reported in the accompanying combined financial statements are primarily comprised of advertising and promotional services for special events and program support. Contributed services for the years ended June 30, 2018 and 2017 totaled \$6,874,495 and \$8,828,841, respectively.

Contributed services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Amounts are recorded at their estimated fair market value at the date of donation using published rates and prices. Our contributed services consist mainly of advertising and veterinary care.

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 seven and one-half percent (7.5%) of the fair value of the trusts' investments, to be received by the designated beneficiaries over the term of the trusts.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

3. Property and Equipment

Property and equipment consisted of the following at June 30:

	2018	2017
Land	\$ 408,651	\$ 408,651
Building	16,914,977	16,864,528
Kennels	589,393	1,361,883
Furniture and equipment	1,975,008	1,823,717
Transportation equipment	1,238,746	1,146,314
Freedom Walk	724,646	724,646
Construction in progress	6,931,283	555,996
	28,782,704	22,885,735
Less accumulated depreciation	4,335,730	4,306,685
Property and equipment, net	\$ 24,446,974	\$ 18,579,050

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$961,223 and \$735,989, respectively.

4. 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, 2018:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 7,214,931	\$ 7,664,942	\$ 450,011
Fixed Income	10,179,128	9,820,502	(358,626)
REITS	296,836	299,960	3,124
Commodities	1,731,240	1,670,038	(61,202)
Certificates of deposit	500,476	501,172	696
Total investments	\$ 19,922,611	\$ 19,956,614	\$ 34,003

For the year ended June 30, 2018, the Organization had realized gains and unrealized losses on investments of \$286,048 and \$126,597 respectively, and incurred investment broker fees of \$135,413.

Following is a summary of investments at June 30, 2017:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 8,217,566	\$ 8,410,698	\$ 193,132
Fixed Income	5,824,590	5,798,777	(25,813)
REITS	487,975	491,882	3,907
Commodities	1,200,009	1,189,383	(10,626)
Total investments	\$ 15,730,140	\$ 15,890,740	\$ 160,600

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

4. Investments (Continued)

For the year ended June 30, 2017, the Organization had realized gains and unrealized gains on investments of \$549,590 and \$83,373 respectively, and incurred investment broker fees of \$53,541.

5. Credit Line Agreement

On May 31, 2017, Southeastern Guide Dogs, Inc. entered into a credit line agreement with a financial institution. The line of credit has no set maturity date, and is secured by the investments held at the financial institution. The maximum available credit is based, in part, on the value of the securities pledged as collateral for the credit line. As of June 30, 2018, the maximum principal amount available for borrowings was approximately \$5,000,000. The line of credit bears interest at a variable interest rate equal to the 30 day LIBOR plus a specified percentage spread, ranging between two percent (2.0%) and five and one half percent (5.5%), depending on the aggregate approved amount. There were no borrowings on the credit line for the years ended June 30, 2018 and 2017.

6. Lease Commitments

The Organization leases equipment under operating lease agreements expiring at various times through 2022.

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

2019	\$	6,816
2020		6,816
2021		6,426
2022		1,068
Total	\$	<u>21,126</u>

7. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$7,128,518 and \$9,009,215 for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, advertising expense includes \$6,634,790 and \$8,497,234 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.

8. Retirement and Deferred Compensation Plan

Retirement Plan

The School provides a tax deferred annuity retirement plan for full-time eligible employees. The School's contributions to the plan were \$90,400 and \$71,371 for the years ended June 30, 2018 and 2017, respectively.

Deferred Compensation Plan

During 2015, the Organization adopted a Deferred Compensation Agreement for the CEO under Internal Revenue Code 457. The Organization's reserve under the deferred compensation plan totaled \$216,196 and \$166,149 for the years ended June 30, 2018 and 2017, respectively, and is included in accrued expenses together with an amount representing investment earnings on the unpaid balance. The employee will have no rights nor will be paid until five years following each contribution date provided the employee has been employed by the Organization continuously until that time.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

9. 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.

10. Net Asset Classifications

The Organization's net assets have been classified into the following categories as of June 30, 2018 and 2017:

Board Designation of Unrestricted Net Assets

It is the 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, 2018 and 2017, \$8,571,469 and \$6,423,679 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:

	2018	2017
Charitable Remainder Trusts	\$ 305,578	\$ 288,481
Guide Dog Training	2,699,425	2,650,183
Paws for Patriots	1,078,067	1,021,384
Paws for Patriots – Veterans Service	135,000	93,340
Student Services Center	37,060	758,257
Puppy Academy	9,346	372,180
Guide Dog University	492,732	7,267,273
Health & Wellness Center	242,530	-
Student Bus	55,652	-
Conditioning Equipment	26,455	111,200
Upgraded Servers	100,000	-
New Parking Lot	452,826	-
Vet Clinic Remodel	245,665	-
Vehicles	-	84,040
Marketing	350,333	-
Other	26,206	26,791
Total temporarily restricted net assets	\$ <u>6,256,875</u>	\$ <u>12,673,129</u>

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:

	2018	2017
Charitable gift annuities	\$ 85,728	\$ 91,311
Endowments	3,952,639	3,590,683
Total permanently restricted net assets	\$ <u>4,038,367</u>	\$ <u>3,681,994</u>

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

11. 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:

	<u>2018</u>	<u>2017</u>
Veterinary Clinic	\$ -	\$ 18,205
Paws for Patriots	634,565	895,875
Paws for Patriots – Veterans Service	1,445,864	601,855
Guide Dog Training	75,257	84,412
Guide Dog University	6,885,220	358,202
Puppy Academy	380,282	3,577,136
Student Services Center	978,735	1,342,976
Maturity of Charitable Remainder Trusts	14,254	271,018
Advertising	174,667	-
Vehicles	84,040	258,048
Conditioning Equipment	104,745	-
Training Costs	-	487,401
Health & Wellness Center	7,470	-
Other	139,003	115,831
Total net assets released from restrictions	<u>\$ 10,924,102</u>	<u>\$ 8,010,959</u>

12. 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. During the year ended June 30, 2018, the School recognized a loss of \$74,000 on the assets held for sale due to deterioration of market conditions. For the fiscal years ended June 30, 2018 and 2017, the balance of assets held for sale consists of land valued at \$325,000 and \$399,000, respectively. 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.

13. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Pledges receivable	\$ 1,316,243	\$ 2,793,056
Less: discount to net present value	(300,268)	(564,390)
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	<u>1,015,975</u>	<u>2,228,666</u>
Less current portion	558,853	1,460,845
Amount collectible within 2-5 years	<u>\$ 457,122</u>	<u>\$ 767,821</u>

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

14. 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, 2018 and 2017.

The following tables present 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, 2018 and 2017, 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.

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:

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).

Certificates of deposit - Certificates of deposit have an original maturity date in excess of 90 days. The fair value is estimated based on cost plus fixed rates of approximately two percent (2%). (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).

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

14. Fair Value of Financial Assets and Liabilities (Continued)

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, 2018 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

Description	June 30, 2018	Level 1	Level 2	Level 3
Equities:				
U.S. large cap	\$ 3,903,687	\$ 3,903,687	\$ -	\$ -
U.S. small cap	1,051,180	1,051,180	-	-
Developed markets	2,130,561	2,130,561	-	-
Emerging markets	579,514	579,514	-	-
Total equities	<u>7,664,942</u>	<u>7,664,942</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Investment grade taxable	9,820,502	-	9,820,502	-
Total fixed income	<u>9,820,502</u>	<u>-</u>	<u>9,820,502</u>	<u>-</u>
REITS	299,960	299,960	-	-
Commodities	1,670,038	1,670,038	-	-
Certificates of deposit	501,172	-	501,172	-
Total investments	<u>19,956,614</u>	<u>9,634,940</u>	<u>10,321,674</u>	<u>-</u>
Charitable trusts receivable	305,578	-	305,578	-
Total assets at fair value	<u>\$ 20,262,192</u>	<u>\$ 9,634,940</u>	<u>\$ 10,627,252</u>	<u>\$ -</u>
Gift annuity liability	<u>\$ 75,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,563</u>

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, 2018:

	Gift Annuity Liability
Beginning balance	\$ 86,584
Change in value of split interest agreements	4,856
Annuity payments	(15,877)
Ending balance	<u>\$ 75,563</u>

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

14. Fair Value of Financial Assets and Liabilities (Continued)

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, 2017 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

Description	June 30, 2017	Level 1	Level 2	Level 3
Equities:				
U.S. large cap	\$ 3,722,669	\$ 3,722,669	\$ -	\$ -
U.S. mid cap	569,600	569,600	-	-
U.S. small cap	792,157	792,157	-	-
Developed markets	2,648,725	2,648,725	-	-
Internationally developed	72,715	72,715	-	-
Emerging markets	604,832	604,832	-	-
Total equities	<u>8,410,698</u>	<u>8,410,698</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Investment grade taxable	5,141,029	-	5,141,029	-
Inflation linked	32,198	-	32,198	-
Other bonds	359,482	-	359,482	-
Global high yield taxable	266,068	-	266,068	-
Total fixed income	<u>5,798,777</u>	<u>-</u>	<u>5,798,777</u>	<u>-</u>
REITS	491,882	491,882	-	-
Commodities	1,189,383	1,189,383	-	-
Total investments	<u>15,890,740</u>	<u>10,091,963</u>	<u>5,798,777</u>	<u>-</u>
Charitable trusts receivable	288,481	-	288,481	-
Total assets at fair value	<u>\$ 16,179,221</u>	<u>\$ 10,091,963</u>	<u>\$ 6,087,258</u>	<u>\$ -</u>
Gift annuity liability	<u>\$ 86,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,584</u>

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, 2017:

Beginning balance	\$ 99,385
Change in value of split interest agreements	774
Annuity payments	(13,575)
Ending balance	<u>\$ 86,584</u>

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

15. 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, 2018 and 2017.

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ -	\$ 3,681,994	\$ 3,681,994
Endowment investment return:			
Interest and dividends	-	(6,154)	(6,154)
Realized and unrealized gain, net	-	157,230	157,230
Total endowment investment return	-	151,076	151,076
Contributions	-	210,880	210,880
Change in value of split-interest agreements	-	(5,583)	(5,583)
Total endowment activity	-	205,297	205,297
Endowment net assets, June 30, 2018	<u>\$ -</u>	<u>\$ 4,038,367</u>	<u>\$ 4,038,367</u>

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

15. Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ 3,463,268	\$ 3,463,268
Endowment investment return:			
Interest and dividends	-	7,804	7,804
Realized and unrealized gain, net	-	186,081	186,081
Total endowment investment return	-	193,885	193,885
Contributions	-	28,646	28,646
Change in value of split-interest agreements	-	(3,805)	(3,805)
Total endowment activity	-	24,841	24,841
Endowment net assets, June 30, 2017	\$ -	\$ 3,681,994	\$ 3,681,994

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are shown on the combining schedule of activities on pages 23 and 25 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, 2018 and 2017 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.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)
June 30, 2018 and 2017

16. 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.

17. 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.

18. Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2018, through the date these combined financial statements were available for issuance, November 9, 2018, 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, 2018

	<u>Southeastern Guide Dogs, Inc.</u>	<u>Southeastern Guide Dogs, Inc. Endowment Trust</u>
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 5,394,369	\$ -
Restricted for temporarily restricted purposes	4,250	-
Restricted for permanently restricted purposes	-	87,114
Total cash and cash equivalents	<u>5,398,619</u>	<u>87,114</u>
Accrued interest receivable	5,012	8,302
Pledges receivable, net (Note 13)	1,015,975	-
Prepaid expenses and other assets	88,513	-
Merchandise inventory	40,746	-
Investments (Note 4):		
Restricted for gift annuity liability	32,443	43,120
Unrestricted	13,234,055	-
Temporarily restricted	2,579,357	-
Permanently restricted	-	4,067,639
Total investments	<u>15,845,855</u>	<u>4,110,759</u>
Bequests and estates receivable	394,883	-
Charitable trusts receivable	305,578	-
Mortgage receivable	105,175	-
Assets held for sale (Note 12)	325,000	-
Property and equipment, net (Note 3)	24,446,974	-
Due from Southeastern Guide Dogs Endowment Trust, Inc.	<u>124,688</u>	<u>-</u>
 Total Assets	 <u>\$ 48,097,018</u>	 <u>\$ 4,206,175</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,293,815	\$ -
Gift annuity liability	32,443	43,120
Due to Southeastern Guide Dogs, Inc.	-	124,688
Total liabilities	<u>1,326,258</u>	<u>167,808</u>
 Net Assets:		
Unrestricted - undesignated	7,495,442	-
Board designated funds for operating support	8,571,469	-
Investment in property and equipment	24,446,974	-
Total unrestricted	<u>40,513,885</u>	<u>-</u>
Temporarily restricted (Note 10)	6,256,875	-
Permanently restricted (Note 10)	-	4,038,367
Total net assets	<u>46,770,760</u>	<u>4,038,367</u>
 Total Liabilities and Net Assets	 <u>\$ 48,097,018</u>	 <u>\$ 4,206,175</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 5,394,369
-	4,250
-	87,114
-	<u>5,485,733</u>
-	13,314
-	1,015,975
-	88,513
-	40,746
-	75,563
-	13,234,055
-	2,579,357
-	4,067,639
-	<u>19,956,614</u>
-	394,883
-	305,578
-	105,175
-	325,000
-	24,446,974
<u>(124,688)</u>	-
<u>\$ (124,688)</u>	<u>\$ 52,178,505</u>
\$ -	\$ 1,293,815
-	75,563
<u>(124,688)</u>	-
<u>(124,688)</u>	<u>1,369,378</u>
-	7,495,442
-	8,571,469
-	24,446,974
-	<u>40,513,885</u>
-	6,256,875
-	4,038,367
-	<u>50,809,127</u>
<u>\$ (124,688)</u>	<u>\$ 52,178,505</u>

See Independent Auditor's Report.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combining Schedule of Activities

Year Ended June 30, 2018

	Southeastern Guide Dogs, Inc.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue:				
Individuals	\$ 1,955,676	\$ 1,385,168	\$ -	\$ 3,340,844
Bequests	4,960,621	-	-	4,960,621
Lions Club	175,765	62,448	-	238,213
Service clubs	64,429	341,062	-	405,491
CFC project	71,776	9,347	-	81,123
Foundations	1,165,499	1,665,842	-	2,831,341
Corporate donations	309,972	888,132	-	1,198,104
Contributed services (Note 2)	6,874,495	-	-	6,874,495
Other revenue	198,577	-	-	198,577
Merchandise sales, net of cost of sales of \$27,124	27,413	-	-	27,413
Special events, net of direct costs of \$750,715	1,016,983	-	-	1,016,983
Loss on disposal of assets	(121,617)	-	-	(121,617)
Realized gain on investments, net	64,344	71,571	-	135,915
Unrealized gain (loss) on investments, net	(110,491)	(23,203)	-	(133,694)
Investment income	387,777	76,129	-	463,906
Total support and revenue	<u>17,041,219</u>	<u>4,476,496</u>	<u>-</u>	<u>21,517,715</u>
Net asset released from restrictions	10,924,102	(10,924,102)	-	-
Total support, revenue and releases	<u>27,965,321</u>	<u>(6,447,606)</u>	<u>-</u>	<u>21,517,715</u>
Functional Expenses:				
Program services	13,179,834	-	-	13,179,834
Supporting services:				
Management and general	1,112,281	-	-	1,112,281
Fundraising	2,873,722	-	-	2,873,722
Total functional expenses	<u>17,165,837</u>	<u>-</u>	<u>-</u>	<u>17,165,837</u>
Change in net assets before change in value of split interest agreements	<u>10,799,484</u>	<u>(6,447,606)</u>	<u>-</u>	<u>4,351,878</u>
Change in value of split interest agreements	<u>3,958</u>	<u>31,352</u>	<u>-</u>	<u>35,310</u>
Change in net assets	10,803,442	(6,416,254)	-	4,387,188
Transfers in (out)	76,615	-	-	76,615
Net assets - beginning of year	29,633,828	12,673,129	-	42,306,957
Net assets - end of year	<u>\$ 40,513,885</u>	<u>\$ 6,256,875</u>	<u>\$ -</u>	<u>\$ 46,770,760</u>

Southeastern Guide Dogs, Inc. Endowment Trust

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Combined Total</u>
\$ -	\$ -	\$ 72,070	\$ 72,070	\$ 3,412,914
-	-	125,456	125,456	5,086,077
-	-	-	-	238,213
-	-	-	-	405,491
-	-	604	604	81,727
-	-	8,724	8,724	2,840,065
-	-	4,026	4,026	1,202,130
-	-	-	-	6,874,495
-	-	-	-	198,577
-	-	-	-	27,413
-	-	-	-	1,016,983
-	-	-	-	(121,617)
-	-	150,133	150,133	286,048
-	-	7,097	7,097	(126,597)
107,034	-	(6,154)	100,880	564,786
<u>107,034</u>	<u>-</u>	<u>361,956</u>	<u>468,990</u>	<u>21,986,705</u>
-	-	-	-	-
<u>107,034</u>	<u>-</u>	<u>361,956</u>	<u>468,990</u>	<u>21,986,705</u>
-	-	-	-	13,179,834
30,419	-	-	30,419	1,142,700
-	-	-	-	2,873,722
<u>30,419</u>	<u>-</u>	<u>-</u>	<u>30,419</u>	<u>17,196,256</u>
<u>76,615</u>	<u>-</u>	<u>361,956</u>	<u>438,571</u>	<u>4,790,449</u>
<u>-</u>	<u>-</u>	<u>(5,583)</u>	<u>(5,583)</u>	<u>29,727</u>
76,615	-	356,373	432,988	4,820,176
(76,615)	-	-	(76,615)	-
-	-	3,681,994	3,681,994	45,988,951
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038,367</u>	<u>\$ 4,038,367</u>	<u>\$ 50,809,127</u>

See Independent Auditor's Report.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combining Schedule of Financial Position

June 30, 2017

	Southeastern Guide Dogs, Inc.	Southeastern Guide Dogs, Inc. Endowment Trust
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 2,405,058	\$ -
Restricted for temporarily restricted purposes	6,454,307	-
Restricted for permanently restricted purposes	-	338,813
Total cash and cash equivalents	8,859,365	338,813
Accrued interest receivable	4,141	4,159
Pledges receivable	2,228,666	-
Prepaid expenses and other assets	76,667	-
Merchandise inventory	33,158	-
Investments (Note 4):		
Restricted for gift annuity liability	36,070	50,514
Unrestricted	10,241,392	-
Temporarily restricted	2,231,036	-
Permanently restricted	-	3,331,728
Total investments	12,508,498	3,382,242
Bequests and estates receivable	142,171	-
Charitable trusts receivable	288,481	-
Assets held for sale (Note 12)	399,000	-
Property and equipment, net (Note 3)	18,579,050	-
Due from Southeastern Guide Dogs, Inc.	-	7,294
Total Assets	\$ 43,119,197	\$ 3,732,508
Liabilities and Net Assets		
Accounts payable and accrued expenses:	\$ 768,876	\$ -
Gift annuity liability	36,070	50,514
Due to Southeastern Guide Dogs, Inc. Endowment Trust	7,294	-
Total liabilities	812,240	50,514
Net Assets:		
Unrestricted - undesignated	4,631,099	-
Board designated funds for operating support	6,423,679	-
Investment in property and equipment	18,579,050	-
Total unrestricted	29,633,828	-
Temporarily restricted (Note 10)	12,673,129	-
Permanently restricted (Note 10)	-	3,681,994
Total net assets	42,306,957	3,681,994
Total Liabilities and Net Assets	\$ 43,119,197	\$ 3,732,508

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 2,405,058
-	6,454,307
-	338,813
-	<u>9,198,178</u>
-	8,300
-	2,228,666
-	76,667
-	33,158
-	86,584
-	10,241,392
-	2,231,036
-	3,331,728
-	<u>15,890,740</u>
-	142,171
-	288,481
-	399,000
-	18,579,050
<u>(7,294)</u>	<u>-</u>
<u>\$ (7,294)</u>	<u>\$ 46,844,411</u>
\$ -	\$ 768,876
-	86,584
<u>(7,294)</u>	<u>-</u>
<u>(7,294)</u>	<u>855,460</u>
-	4,631,099
-	6,423,679
-	18,579,050
-	<u>29,633,828</u>
-	12,673,129
-	3,681,994
-	<u>45,988,951</u>
<u>\$ (7,294)</u>	<u>\$ 46,844,411</u>

See Independent Auditor's Report.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**

Combining Schedule of Activities

Year Ended June 30, 2017

	Southeastern Guide Dogs, Inc.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue:				
Individuals	\$ 2,671,908	\$ 765,846	\$ -	\$ 3,437,754
Bequests	1,842,873	60,732	-	1,903,605
Lions Club	183,770	18,545	-	202,315
Service clubs	63,529	190,421	-	253,950
CFC project	83,072	2,372	-	85,444
Foundations	1,356,495	1,193,067	-	2,549,562
Corporate donations	238,815	552,241	-	791,056
Contributed services (Note 2)	8,828,841	-	-	8,828,841
Other revenue	204,556	-	-	204,556
Merchandise sales, net of cost of sales of \$29,911	19,683	-	-	19,683
Special events, net of direct costs of \$790,361	770,979	-	-	770,979
Loss on disposal of assets	(194,790)	-	-	(194,790)
Realized gain on investments, net	379,312	60,935	-	440,247
Unrealized gain (loss) on investments, net	(65,927)	72,562	-	6,635
Investment income	259,241	60,263	-	319,504
Total support and revenue	<u>16,642,357</u>	<u>2,976,984</u>	<u>-</u>	<u>19,619,341</u>
Net asset released from restrictions	8,010,959	(8,010,959)	-	-
Total support, revenue and releases	<u>24,653,316</u>	<u>(5,033,975)</u>	<u>-</u>	<u>19,619,341</u>
Functional Expenses				
Program services	14,331,909	-	-	14,331,909
Supporting services:				
Management and general	957,537	-	-	957,537
Fundraising	2,771,143	-	-	2,771,143
Total functional expenses	<u>18,060,589</u>	<u>-</u>	<u>-</u>	<u>18,060,589</u>
Change in net assets before change in value of split interest agreements	<u>6,592,727</u>	<u>(5,033,975)</u>	<u>-</u>	<u>1,558,752</u>
Change in value of split interest agreements	<u>3,031</u>	<u>17,047</u>	<u>-</u>	<u>20,078</u>
Change in net assets	6,595,758	(5,016,928)	-	1,578,830
Transfers in (out)	68,044	-	-	68,044
Net assets - beginning of year	22,970,026	17,690,057	-	40,660,083
Net assets - end of year	<u>\$ 29,633,828</u>	<u>\$ 12,673,129</u>	<u>\$ -</u>	<u>\$ 42,306,957</u>

Southeastern Guide Dogs, Inc. Endowment Trust

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Combined Total</u>
\$ -	\$ -	\$ 21,000	\$ 21,000	\$ 3,458,754
-	-	-	-	1,903,605
-	-	-	-	202,315
-	-	-	-	253,950
-	-	1,146	1,146	86,590
-	-	-	-	2,549,562
-	-	6,500	6,500	797,556
-	-	-	-	8,828,841
-	-	-	-	204,556
-	-	-	-	-
-	-	-	-	19,683
-	-	-	-	-
-	-	-	-	770,979
-	-	-	-	(194,790)
-	-	109,343	109,343	549,590
-	-	76,738	76,738	83,373
84,369	-	7,804	92,173	411,677
84,369	-	222,531	306,900	19,926,241
-	-	-	-	-
84,369	-	222,531	306,900	19,926,241
-	-	-	-	14,331,909
16,325	-	-	16,325	973,862
-	-	-	-	2,771,143
16,325	-	-	16,325	18,076,914
68,044	-	222,531	290,575	1,849,327
-	-	(3,805)	(3,805)	16,273
68,044	-	218,726	286,770	1,865,600
(68,044)	-	-	(68,044)	-
-	-	3,463,268	3,463,268	44,123,351
\$ -	\$ -	\$ 3,681,994	\$ 3,681,994	\$ 45,988,951

See Independent Auditor's Report.