

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

Combined Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Kukuing Barbunio & Co.

Sarasota, Florida
November 22, 2019

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

Combined Statements of Financial Position

June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Without donor restrictions	\$ 9,214,496	\$ 5,394,369
With donor restrictions - purpose and time	1,516,488	4,250
With donor restrictions - perpetual in nature	181,439	87,114
Total cash and cash equivalents	<u>10,912,423</u>	<u>5,485,733</u>
Accrued interest receivable	21,128	13,314
Pledges receivable, net (Note 4)	5,190,523	1,015,975
Prepaid expenses and other assets	119,664	88,513
Merchandise inventory	43,269	40,746
Investments (Note 5):		
Restricted for gift annuity liability	74,021	75,563
Without donor restrictions	11,999,644	13,234,055
With donor restrictions - purpose and time	2,646,743	2,579,357
With donor restrictions - perpetual in nature	5,335,431	4,067,639
Total investments	<u>20,055,839</u>	<u>19,956,614</u>
Bequests and estates receivable	16,591	394,883
Charitable trusts receivable	275,484	305,578
Mortgage receivable	101,665	105,175
Assets held for sale (Note 7)	325,000	325,000
Property and equipment, net (Note 8)	<u>24,881,883</u>	<u>24,446,974</u>
 Total Assets	 <u>\$ 61,943,469</u>	 <u>\$ 52,178,505</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 553,390	\$ 1,293,815
Gift annuity liability	74,021	75,563
Total liabilities	<u>627,411</u>	<u>1,369,378</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	10,329,955	7,495,442
Board designated funds for operating support	9,041,509	8,571,469
Investment in property and equipment	24,881,883	24,446,974
Total net assets without donor restrictions	<u>44,253,347</u>	<u>40,513,885</u>
With donor restrictions:		
Purpose and time restrictions	7,302,208	6,256,875
Perpetual in nature	9,760,503	4,038,367
Total net assets with donor restrictions (Note 11)	<u>17,062,711</u>	<u>10,295,242</u>
 Total net assets	 <u>61,316,058</u>	 <u>50,809,127</u>
 Total Liabilities and Net Assets	 <u>\$ 61,943,469</u>	 <u>\$ 52,178,505</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, 2019

(With Summarized Totals for 2018)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Support and Revenue:		
Individuals	\$ 4,667,324	\$ 6,201,831
Bequests	3,639,059	600,743
Lions Club	111,250	66,590
Service clubs	56,364	179,818
CFC project	59,769	22,444
Foundations	1,295,358	2,438,467
Corporate donations	914,784	499,383
Contributed services and nonfinancial assets (Note 2)	6,017,946	-
Other revenue	127,426	-
Merchandise sales, net of cost of sales of \$21,559	40,715	-
Special events, net of direct costs of \$620,232	860,555	-
Loss on disposal of assets	(134,980)	-
Realized gain (loss) on investments, net	(184,852)	155,358
Unrealized gain (loss) on investments, net	189,511	100,402
Investment income, net of investment expenses	558,121	76,659
Total support and revenue	<u>18,218,350</u>	<u>10,341,695</u>
Net assets released from restrictions	<u>3,549,482</u>	<u>(3,549,482)</u>
Total support, revenue and releases	<u>21,767,832</u>	<u>6,792,213</u>
Functional Expenses:		
Program services	13,899,391	-
Supporting services:		
Management and general	1,029,729	-
Fundraising	3,096,338	-
Total functional expenses	<u>18,025,458</u>	<u>-</u>
Change in net assets before change in value of split interest agreements	<u>3,742,374</u>	<u>6,792,213</u>
Change in value of split interest agreements	<u>(2,912)</u>	<u>(24,744)</u>
Change in net assets	3,739,462	6,767,469
Net assets - beginning of year	<u>40,513,885</u>	<u>10,295,242</u>
Net assets - end of year	<u>\$ 44,253,347</u>	<u>\$ 17,062,711</u>

	2018
Total	Total
\$ 10,869,155	\$ 3,412,914
4,239,802	5,086,077
177,840	238,213
236,182	405,491
82,213	81,727
3,733,825	2,840,065
1,414,167	1,202,130
6,017,946	6,874,495
127,426	198,577
40,715	27,413
860,555	1,016,983
(134,980)	(121,617)
(29,494)	286,048
289,913	(126,597)
634,780	429,373
<u>28,560,045</u>	<u>21,851,292</u>
-	-
<u>28,560,045</u>	<u>21,851,292</u>
13,899,391	13,179,834
1,029,729	1,007,287
<u>3,096,338</u>	<u>2,873,722</u>
<u>18,025,458</u>	<u>17,060,843</u>
10,534,587	4,790,449
<u>(27,656)</u>	<u>29,727</u>
10,506,931	4,820,176
50,809,127	45,988,951
<u>\$ 61,316,058</u>	<u>\$ 50,809,127</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, 2018

(With Summarized Totals for 2019)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Support and Revenue:		
Individuals	\$ 1,955,676	\$ 1,457,238
Bequests	4,960,621	125,456
Lions Club	175,765	62,448
Service clubs	64,429	341,062
CFC project	71,776	9,951
Foundations	1,165,499	1,674,566
Corporate donations	309,972	892,158
Contributed services and nonfinancial assets (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 (loss) on investments, net	64,344	221,704
Unrealized gain (loss) on investments, net	(110,491)	(16,106)
Investment income, net of investment expenses	359,398	69,975
Total support and revenue	<u>17,012,840</u>	<u>4,838,452</u>
Net assets released from restrictions	<u>10,924,102</u>	<u>(10,924,102)</u>
Total support, revenue and releases	<u>27,936,942</u>	<u>(6,085,650)</u>
Functional Expenses:		
Program services	13,179,834	-
Supporting services:		
Management and general	1,007,287	-
Fundraising	2,873,722	-
Total functional expenses	<u>17,060,843</u>	<u>-</u>
Change in net assets before change in value of split interest agreements	<u>10,876,099</u>	<u>(6,085,650)</u>
Change in value of split interest agreements	<u>3,958</u>	<u>25,769</u>
Change in net assets	10,880,057	(6,059,881)
Net assets - beginning of year	<u>29,633,828</u>	<u>16,355,123</u>
Net assets - end of year	<u>\$ 40,513,885</u>	<u>\$ 10,295,242</u>

	2019
<u>Total</u>	<u>Total</u>
\$ 3,412,914	\$ 10,869,155
5,086,077	4,239,802
238,213	177,840
405,491	236,182
81,727	82,213
2,840,065	3,733,825
1,202,130	1,414,167
6,874,495	6,017,946
198,577	127,426
27,413	40,715
1,016,983	860,555
(121,617)	(134,980)
286,048	(29,494)
(126,597)	289,913
429,373	634,780
<u>21,851,292</u>	<u>28,560,045</u>
-	-
<u>21,851,292</u>	<u>28,560,045</u>
13,179,834	13,899,391
1,007,287	1,029,729
2,873,722	3,096,338
<u>17,060,843</u>	<u>18,025,458</u>
4,790,449	10,534,587
29,727	(27,656)
4,820,176	10,506,931
45,988,951	50,809,127
<u>\$ 50,809,127</u>	<u>\$ 61,316,058</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 10,506,931	\$ 4,820,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,249,223	961,223
Realized and unrealized gain on investments, net	(260,419)	(159,451)
Change in value of split interest agreements	27,656	(29,727)
Loss on disposal of assets	134,980	121,617
Loss on valuation of assets held for sale	-	74,000
Assignment of mortgage receivable	-	(106,326)
Contributions restricted for long-term investments	(1,799,741)	(635,664)
Change in operating assets:		
Accrued interest receivable	(7,814)	(5,014)
Prepaid expenses and other assets	(31,151)	(11,846)
Merchandise inventory	(2,523)	(7,588)
Pledges receivable, non-capital	(4,369,196)	63,792
Bequests and estates receivable	378,292	(252,712)
Charitable trusts receivable	12,651	14,254
Change in operating liabilities:		
Accounts payable and accrued expenses	(740,425)	(62,141)
Gift annuity liability	(11,756)	(12,645)
Total adjustments	<u>(5,420,223)</u>	<u>(48,228)</u>
Net cash provided by operating activities	<u>5,086,708</u>	<u>4,771,948</u>
Cash Flows from Investing Activities:		
Payments received on mortgage receivable	3,510	1,151
Purchase of property and equipment	(1,843,383)	(6,363,684)
Proceeds from disposals of assets	24,272	-
Purchases of investments	(20,828,015)	(11,273,924)
Proceeds from sales of investments	<u>20,989,209</u>	<u>7,367,501</u>
Net cash used in investing activities	<u>(1,654,407)</u>	<u>(10,268,956)</u>
Cash Flows from Financing Activities:		
Contributions, net of change in pledges, restricted for long-term investments	<u>1,994,389</u>	<u>1,784,563</u>
Change in cash and cash equivalents	5,426,690	(3,712,445)
Cash and cash equivalents - beginning of year	<u>5,485,733</u>	<u>9,198,178</u>
Cash and cash equivalents - end of year	<u>\$ 10,912,423</u>	<u>\$ 5,485,733</u>

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, 2019

(With Summarized Totals for 2018)

	Program Services	Management and General	Fundraising
Salaries	\$ 4,938,326	\$ 419,094	\$ 996,256
Employee benefits	502,435	42,639	101,361
Payroll taxes	352,736	29,219	69,457
Total personnel expense	5,793,497	490,952	1,167,074
Advertising and promotions	510,561	5,620	242
In-kind advertising and promotions	4,115,667	10,500	1,604,620
Breeding cost, kennel supplies and veterinary services	713,853	-	-
General insurance	146,338	15,589	31,462
Maintenance and equipment	520,695	22,607	38,316
Occupancy	200,382	23,724	17,464
Office	55,603	31,235	11,136
Other	52,579	37,759	43,322
Printing	57,610	6,849	55,887
Professional fees and contracted services	288,370	120,079	26,234
Student meals and other	38,070	-	-
Supplies	116,039	8,113	14,445
Telephone	33,250	4,210	7,037
Travel	256,476	3,670	79,099
Total functional expenses before depreciation	12,898,990	780,907	3,096,338
Depreciation	1,000,401	248,822	-
Total functional expenses - 2019	\$ 13,899,391	\$ 1,029,729	\$ 3,096,338
Percent of Total - 2019	77.11%	5.71%	17.18%
Total functional expenses - 2018	\$ 13,179,834	\$ 1,007,287	\$ 2,873,722
Percent of Total - 2018	77.25%	5.91%	16.84%

<u>Total</u>	<u>2018 Total</u>
\$ 6,353,676	\$ 5,591,480
646,435	533,355
451,412	392,241
<u>7,451,523</u>	<u>6,517,076</u>
516,423	493,728
5,730,787	6,634,790
713,853	601,736
193,389	175,176
581,618	426,152
241,570	202,129
97,974	104,187
133,660	93,448
120,346	91,254
434,683	378,698
38,070	47,694
138,597	110,770
44,497	35,276
<u>339,245</u>	<u>187,506</u>
16,776,235	16,099,620
<u>1,249,223</u>	<u>961,223</u>
\$ <u>18,025,458</u>	\$ <u>17,060,843</u>
100.00%	100.00%
\$ <u>17,060,843</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, 2018

(With Summarized Totals for 2019)

	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	136,117	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	816,065	2,873,722
Depreciation	770,001	191,222	-
Total functional expenses - 2018	\$ 13,179,834	\$ 1,007,287	\$ 2,873,722
Percent of Total - 2018	77.25%	5.91%	16.84%
Total functional expenses - 2019	\$ 13,899,391	\$ 1,029,729	\$ 3,096,338
Percent of Total - 2019	77.11%	5.71%	17.18%

<u>Total</u>	<u>2019 Total</u>
\$ 5,591,480	\$ 6,353,676
533,355	646,435
392,241	451,412
<u>6,517,076</u>	<u>7,451,523</u>
493,728	516,423
6,634,790	5,730,787
601,736	713,853
175,176	193,389
426,152	581,618
202,129	241,570
104,187	97,974
93,448	133,660
91,254	120,346
378,698	434,683
47,694	38,070
110,770	138,597
35,276	44,497
<u>187,506</u>	<u>339,245</u>
16,099,620	16,776,235
<u>961,223</u>	<u>1,249,223</u>
\$ <u>17,060,843</u>	\$ <u>18,025,458</u>
100.00%	100.00%
\$ <u>18,025,458</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, 2019 and 2018

I. Organization

Southeastern Guide Dogs (the School) transforms lives by creating and nurturing extraordinary partnerships between people and dogs. The School operates one of the most advanced training facilities of any service dog organization in the world. The School's experts create and train working dogs - including guide dogs, service dogs, and skilled companion dogs - and provide life-changing services for people with vision loss, veterans with disabilities, and children with significant challenges such as vision loss or the loss of a parent in the military. Pursuing its mission since 1982, Southeastern Guide Dogs now has over 1,100 dogs under its auspices.

All of the School's services - which include selective breeding and expert dog training; comprehensive on-campus student instruction; and lifetime alumni support - are provided at no cost to recipients. The School relies 100% on private donations and receives no government funding. Southeastern Guide Dogs has the distinction of being dually accredited by the two premier, global accreditation bodies: the International Guide Dog Federation and Assistance Dogs International. Learn more at www.GuideDogs.org.

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 Puppy Academy, a Canine University, 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, 2019 and 2018

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:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. Quasi-endowment funds and board designated funds, established by the Board of Directors, are classified as net assets without donor restrictions.

Net assets with donor restrictions - 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, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that the net assets be maintained in perpetuity 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 without donor restrictions 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 net assets with donor restrictions. When the purpose of the restriction is accomplished, these net assets are reclassified to net assets without donor restrictions 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 net assets with donor restrictions until the long-lived asset is acquired or constructed, at which time the net assets are released from the restriction and reclassified to net assets without donor restrictions.

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

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

2. 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, 2016 through June 30, 2019.

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.

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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

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.

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. Investment income, net of investment expenses, and realized and unrealized gains and losses are included in the combined statements of activities. Investment income, net of investment expenses, and gains and losses restricted by a donor are reported as increases and decreases in net assets with donor restrictions as required by the Trust Indenture governing contributions to the School which are restricted in perpetuity. Investment income, net of investment expenses, 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.

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

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.

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.

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, 2019 and 2018.

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. The expenses that are allocated include salaries, employee benefits, payroll taxes and other expenses for services which are allocated on the basis of estimated time and effort and depreciation which is allocated based on estimated square footage of space used.

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.

Advertising and Promotions

Advertising costs are expensed as incurred. For the years ended June 30, 2019 and 2018, "advertising expense" includes \$5,730,787 and \$6,634,790 **of contributed services** which consist of advertising and promotional services for special events and program support. Total advertising expense was \$6,247,210 and \$7,128,518 for the years ended June 30, 2019 and 2018, respectively.

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Contributed Services and Nonfinancial Assets

Contributed services and nonfinancial assets reported in the accompanying combined financial statements are primarily comprised of advertising and promotional services for program support and special events. Contributed services and nonfinancial assets for the years ended June 30, 2019 and 2018 totaled \$6,017,946 and \$6,874,495, respectively.

Contributed services and nonfinancial assets are recognized at their estimated fair value when they create or enhance nonfinancial assets, they require specialized skills that would need to be purchased if they were not donated, or they are nonfinancial assets (such as advertising to the public communicating the Organization's mission) which are directed by the Organization for the Organization's benefit and have been provided at no cost. Amounts are recorded at their estimated fair market value at the date of donation using published rates and prices. The Organization's contributed services and nonfinancial assets 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.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958), which was adopted by the Organization for the year ended June 30, 2019. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets with donor restrictions" and "net assets without donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2018 combined financial statements have been reclassified to conform to the 2019 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Liquidity and Availability

Financial assets available for general expenditure within one year of the combined statements of financial position date, comprise the following:

Cash and cash equivalents without donor restrictions	\$ 9,214,496
Pledges receivable, net - current portion	2,552,159
Investments without donor restrictions	11,999,644
Total financial assets available within one year	<u>23,766,299</u>
Less: Amounts unavailable for general expenditure due to:	
Pledges receivable, net, restricted for purpose and time	(314,622)
Pledges receivable, net, restricted for perpetuity	(2,000,000)
Total unavailable for general expenditure	<u>(2,314,622)</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

3. Liquidity and Availability (Continued)

Less: Amounts unavailable to management without Board approval:

Board designated funds for operating support (9,041,509)

Total financial assets available to management for general expenditure within one year \$ 12,410,168

The Organization manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Monthly reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

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, 2019, \$9,041,509 has been designated by the board for operating support.

4. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2019	2018
Pledges receivable	\$ 5,514,662	\$ 1,316,243
Less: discount to net present value	(324,139)	(300,268)
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	5,190,523	1,015,975
Less current portion	2,552,158	558,853
Amount collectible in 1-5 years	\$ 2,638,365	\$ 457,122

5. 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, 2019:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 5,617,747	\$ 5,782,142	\$ 164,395
Fixed income	13,430,955	13,613,917	182,962
REITS	278,290	303,335	25,045
Commodities	404,931	356,445	(48,486)
Total investments	\$ 19,731,923	\$ 20,055,839	\$ 323,916

For the year ended June 30, 2019, the Organization had realized losses and unrealized gains on investments of \$29,494 and \$289,913 respectively, and incurred investment broker fees of \$138,537, which are presented net against investment income on the combined statement of activities.

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

5. Investments (Continued)

Following is a summary of investments at June 30, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gains (Losses)</u>
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	<u>\$ 19,922,611</u>	<u>\$ 19,956,614</u>	<u>\$ 34,003</u>

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, which are presented net against investment income on the combined statement of activities.

6. 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, 2019 and 2018.

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, 2019 and 2018, 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 Dogs, Inc. Endowment Trust**

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

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

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 Level 2 and 3 financial instruments:

Fixed Income - 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).

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, 2019 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:				
U.S. large cap	\$ 2,946,782	\$ 2,946,782	\$ -	\$ -
U.S. mid cap	34,301	34,301	-	-
U.S. small cap	1,538,093	1,538,093	-	-
Developed markets	1,197,887	1,197,887	-	-
Emerging markets	65,079	65,079	-	-
Total equities	<u>5,782,142</u>	<u>5,782,142</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Investment grade taxable	4,605,384	-	4,605,384	-
Municipal bonds	3,669,493	-	3,669,493	-
Ultra short-term bonds	3,861,842	-	3,861,842	-
High yield	1,472,594	-	1,472,594	-
International	4,604	-	4,604	-
Total fixed income	<u>13,613,917</u>	<u>-</u>	<u>13,613,917</u>	<u>-</u>
REITS	303,335	303,335	-	-
Commodities	356,445	356,445	-	-
Total investments	<u>20,055,839</u>	<u>6,441,922</u>	<u>13,613,917</u>	<u>-</u>
Charitable trusts receivable	275,484	-	275,484	-
Total assets at fair value	<u>\$ 20,331,323</u>	<u>\$ 6,441,922</u>	<u>\$ 13,889,401</u>	<u>\$ -</u>
Gift annuity liability	<u>\$ 74,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,021</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

6. 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, 2019:

	Gift Annuity Liability
Beginning balance	\$ 75,563
Change in value of split interest agreements	10,214
Annuity payments	(11,756)
Ending balance	\$ 74,021

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	Total	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	7,664,942	7,664,942	-	-
Fixed Income:				
Investment grade taxable	9,820,502	-	9,820,502	-
Total fixed income	9,820,502	-	9,820,502	-
REITS	299,960	299,960	-	-
Commodities	1,670,038	1,670,038	-	-
Certificates of deposit	501,172	-	501,172	-
Total investments	19,956,614	9,634,940	10,321,674	-
Charitable trusts receivable	305,578	-	305,578	-
Total assets at fair value	\$ 20,262,192	\$ 9,634,940	\$ 10,627,252	\$ -
 Gift annuity liability	 \$ 75,563	 \$ -	 \$ -	 \$ 75,563

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	\$ 75,563

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

7. 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, 2019 and 2018, the balance of assets held for sale consists of land valued at \$325,000 and \$325,000, 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.

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 408,651	\$ 408,651
Building	17,259,423	16,914,977
Kennels	-	589,393
K9 University	7,271,073	-
Furniture and equipment	2,558,589	1,975,008
Transportation equipment	1,258,522	1,238,746
Freedom Walk	724,646	724,646
Construction in progress	<u>306,986</u>	<u>6,931,283</u>
	29,787,890	28,782,704
Less accumulated depreciation	<u>4,906,007</u>	<u>4,335,730</u>
Property and equipment, net	<u>\$ 24,881,883</u>	<u>\$ 24,446,974</u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$1,249,223 and \$961,223, respectively.

9. 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, 2019, 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, 2019 and 2018.

10. 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 \$108,712 and \$90,400 for the years ended June 30, 2019 and 2018, respectively.

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

10. Retirement and Deferred Compensation Plan (Continued)

Deferred Compensation Plan

During 2015, the Organization adopted a Deferred Compensation Agreement for the CEO under Internal Revenue Code 457(f). The Organization maintains a bookkeeping account for the assets held in reserve under the deferred compensation plan. The bookkeeping account consists of book entries only, and does not constitute a separate cash fund or other assets held in trust for or as security for the Organization's obligation to pay the amount of the account. The deferred compensation plan totaled \$271,408 and \$216,196 for the years ended June 30, 2019 and 2018, respectively, and is included in cash and 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. During the years ended June 30, 2019 and 2018, the Organization contributed \$48,000 and \$46,000, respectively.

Per IRS rules and regulations, the deferred compensation is reported in Form 990 twice: initially when accrued and also when paid.

11. Net Asset Classifications

The Organization's net assets have been classified into the following categories as of June 30, 2019 and 2018:

Board Designation of Net Assets without Donor Restrictions

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, 2019 and 2018, \$9,041,509 and \$8,571,469 has been designated by the board for operating support, respectively.

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

Subject to expenditure for specified purpose:	<u>2019</u>	<u>2018</u>
Guide Dog Training	\$ 2,754,253	\$ 2,699,425
Paws for Patriots	1,275,598	1,078,067
Paws for Patriots – Veterans Service	25,000	135,000
Student Services Center	512,134	37,060
Puppy Academy	-	9,346
Guide Dog University	-	492,732
Student Fitness Center	1,250,557	242,530
Canine Fitness Center	161,136	-
Student Bus	5,450	55,652
Conditioning Equipment	8,005	26,455
Upgraded Servers	84,028	100,000
New Parking Lot	367,134	452,826
Vet Clinic Remodel	233,525	245,665
Children & Teens Program	258,700	-
Marketing	-	350,333
Other	91,204	26,206
Total purpose restrictions:	<u>7,026,724</u>	<u>5,951,297</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

11. Net Asset Classifications (Continued)

Net Assets with Donor Restrictions (Continued)

Subject to the passage of time:

Charitable Remainder Trusts	275,484	305,578
Total time restrictions:	275,484	305,578

Total purpose and time restrictions:	7,302,208	6,256,875
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Perpetual in nature:

Charitable gift annuities	78,428	85,728
Pledges receivable	4,431,907	-
Endowments	5,250,168	3,952,639
Total perpetual in nature restrictions:	9,760,503	4,038,367

Total net assets with donor restrictions:	\$ 17,062,711	\$ 10,295,242
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The primary purpose of the net assets held in perpetuity is to support the programs and services of the Organization and certain components of income are earmarked for purposes without restrictions.

12. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by other events specified by donors. Purposes for which restrictions were accomplished during the year ended June 30 include the following:

	2019	2018
Expiration of time restrictions – Charitable Remainder Trusts	\$ 12,651	\$ 14,254
Satisfaction of purpose restrictions:		
Guide Dog Training	85,563	75,257
Paws for Patriots	778,005	634,565
Paws for Patriots – Veterans Service	1,147,588	1,445,864
Student Services Center	24,118	978,735
Puppy Academy	31,905	380,282
Guide Dog University	515,092	6,885,220
Student Fitness Center	151,738	7,470
Canine Fitness Center	4,292	-
Student Bus	97,068	84,040
Conditioning Equipment	30,950	104,745
Upgraded Servers	15,972	-
New Parking Lot	85,693	41,174
Vet Clinic Remodel	12,139	4,336
Children & Teens Program	37,544	-
Marketing	350,333	174,667
Other	168,831	93,493
Total net assets released from restrictions	\$ 3,549,482	\$ 10,924,102

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

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 net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, (c) accumulations to the perpetual 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 net assets with donor restrictions that are perpetual in nature 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 net assets without restriction 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 net assets with donor restrictions that are perpetual in nature 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, 2019 and 2018.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	With Donor Restrictions
Endowment net assets, July 1, 2018	\$ <u>4,038,367</u>
Endowment investment return:	
Interest and dividends	(6,778)
Realized and unrealized gain, net	<u>198,619</u>
Total endowment investment return	191,841
Contributions	1,105,688
Change in value of split-interest agreements	<u>(7,300)</u>
Total endowment activity	<u>1,098,388</u>
Endowment net assets, June 30, 2019	<u>\$ <u>5,328,596</u></u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2019 and 2018

13. Endowment (Continued)

Changes in Endowment Net Assets (Continued)

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

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

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are shown on the combining schedule of activities on pages 24 and 26 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 6% 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, 2019 and 2018 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, 2019 and 2018

14. 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:

2020	\$	6,816
2021		6,426
2022		1,068
Total	\$	<u>14,310</u>

15. Financial Instruments with Credit Risk and Economic 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.

Investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Organization's investments.

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, 2019, through the date these combined financial statements were available for issuance, November 22, 2019, 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, 2019

	<u>Southeastern Guide Dogs, Inc.</u>	<u>Southeastern Guide Dogs, Inc. Endowment Trust</u>
Assets		
Cash and cash equivalents:		
Without donor restrictions	\$ 9,214,496	\$ -
With donor restrictions - purpose and time	1,516,488	-
With donor restrictions - perpetual in nature	83,266	98,173
Total cash and cash equivalents	<u>10,814,250</u>	<u>98,173</u>
Accrued interest receivable	7,129	13,999
Pledges receivable, net (Note 4)	5,190,523	-
Prepaid expenses and other assets	119,664	-
Merchandise inventory	43,269	-
Investments (Note 5):		
Restricted for gift annuity liability	32,456	41,565
Without donor restrictions	11,999,644	-
With donor restrictions - purpose and time	2,646,743	-
With donor restrictions - perpetual in nature	421,773	4,913,658
Total investments	<u>15,100,616</u>	<u>4,955,223</u>
Bequests and estates receivable	16,591	-
Charitable trusts receivable	275,484	-
Mortgage receivable	101,665	-
Assets held for sale (Note 7)	325,000	-
Property and equipment, net (Note 8)	24,881,883	-
Due from Southeastern Guide Dogs Endowment Trust, Inc.	<u>205,221</u>	<u>-</u>
 Total Assets	 <u>\$ 57,081,295</u>	 <u>\$ 5,067,395</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 553,390	\$ -
Gift annuity liability	32,456	41,565
Due to Southeastern Guide Dogs, Inc.	-	205,221
Total liabilities	<u>585,846</u>	<u>246,786</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	10,329,955	-
Board designated funds for operating support	9,041,509	-
Investment in property and equipment	24,881,883	-
Total net assets without donor restrictions	<u>44,253,347</u>	<u>-</u>
With donor restrictions:		
Purpose and time restrictions	7,302,208	-
Perpetual in nature	4,939,894	4,820,609
Total net assets with donor restrictions (Note 11)	<u>12,242,102</u>	<u>4,820,609</u>
 Total net assets	 <u>56,495,449</u>	 <u>4,820,609</u>
 Total Liabilities and Net Assets	 <u>\$ 57,081,295</u>	 <u>\$ 5,067,395</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 9,214,496
-	1,516,488
-	181,439
<u>-</u>	<u>10,912,423</u>
-	21,128
-	5,190,523
-	119,664
-	43,269
-	74,021
-	11,999,644
-	2,646,743
-	5,335,431
<u>-</u>	<u>20,055,839</u>
-	16,591
-	275,484
-	101,665
-	325,000
-	24,881,883
<u>(205,221)</u>	<u>-</u>
<u>\$ (205,221)</u>	<u>\$ 61,943,469</u>
\$ -	\$ 553,390
-	74,021
<u>(205,221)</u>	<u>-</u>
<u>(205,221)</u>	<u>627,411</u>
-	10,329,955
-	9,041,509
-	24,881,883
<u>-</u>	<u>44,253,347</u>
-	7,302,208
-	9,760,503
<u>-</u>	<u>17,062,711</u>
-	61,316,058
<u>\$ (205,221)</u>	<u>\$ 61,943,469</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, 2019

	Southeastern Guide Dogs, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Individuals	\$ 4,667,324	\$ 6,197,385	\$ 10,864,709
Bequests	3,639,059	17,930	3,656,989
Lions Club	111,250	66,590	177,840
Service clubs	56,364	179,818	236,182
CFC project	59,769	21,393	81,162
Foundations	1,295,358	2,427,087	3,722,445
Corporate donations	914,784	493,385	1,408,169
Contributed services and nonfinancial assets (Note 2)	6,017,946	-	6,017,946
Other revenue	127,426	-	127,426
Merchandise sales, net of cost of sales of \$21,559	40,715	-	40,715
Special events, net of direct costs of \$620,232	860,555	-	860,555
Loss on disposal of assets	(134,980)	-	(134,980)
Realized gain (loss) on investments, net	(184,852)	(18,504)	(203,356)
Unrealized gain on investments, net	189,511	83,532	273,043
Investment income, net of investment expenses	462,099	83,537	545,636
Total support and revenue	<u>18,122,328</u>	<u>9,552,153</u>	<u>27,674,481</u>
Net asset released from restrictions	<u>3,549,482</u>	<u>(3,549,482)</u>	<u>-</u>
Total support, revenue and releases	<u>21,671,810</u>	<u>6,002,671</u>	<u>27,674,481</u>
Functional Expenses:			
Program services	13,899,391	-	13,899,391
Supporting services:	-	-	-
Management and general	1,029,729	-	1,029,729
Fundraising	3,096,338	-	3,096,338
Total functional expenses	<u>18,025,458</u>	<u>-</u>	<u>18,025,458</u>
Change in net assets before change in value of split interest agreements	<u>3,646,352</u>	<u>6,002,671</u>	<u>9,649,023</u>
Change in value of split interest agreements	<u>(2,912)</u>	<u>(17,444)</u>	<u>(20,356)</u>
Change in net assets	3,643,440	5,985,227	9,628,667
Transfers in (out)	96,022	-	96,022
Net assets - beginning of year	<u>40,513,885</u>	<u>6,256,875</u>	<u>46,770,760</u>
Net assets - end of year	<u>\$ 44,253,347</u>	<u>\$ 12,242,102</u>	<u>\$ 56,495,449</u>

Southeastern Guide Dogs, Inc. Endowment Trust

	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total
\$	-	\$ 4,446	\$ 4,446	\$ 10,869,155
	-	582,813	582,813	4,239,802
	-	-	-	177,840
	-	-	-	236,182
	-	1,051	1,051	82,213
	-	11,380	11,380	3,733,825
	-	5,998	5,998	1,414,167
	-	-	-	6,017,946
	-	-	-	127,426
	-	-	-	40,715
	-	-	-	860,555
	-	-	-	(134,980)
	-	173,862	173,862	(29,494)
	-	16,870	16,870	289,913
	96,022	(6,878)	89,144	634,780
	<u>96,022</u>	<u>789,542</u>	<u>885,564</u>	<u>28,560,045</u>
	-	-	-	-
	<u>96,022</u>	<u>789,542</u>	<u>885,564</u>	<u>28,560,045</u>
	-	-	-	13,899,391
	-	-	-	1,029,729
	-	-	-	3,096,338
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,025,458</u>
	<u>96,022</u>	<u>789,542</u>	<u>885,564</u>	<u>10,534,587</u>
	<u>-</u>	<u>(7,300)</u>	<u>(7,300)</u>	<u>(27,656)</u>
	96,022	782,242	878,264	10,506,931
	(96,022)	-	(96,022)	-
	<u>-</u>	<u>4,038,367</u>	<u>4,038,367</u>	<u>50,809,127</u>
\$	<u><u>-</u></u>	<u><u>\$ 4,820,609</u></u>	<u><u>\$ 4,820,609</u></u>	<u><u>\$ 61,316,058</u></u>

See Independent Auditor's Report.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**
Combining Schedule of Financial Position
June 30, 2018

	Southeastern Guide Dogs, Inc.	Southeastern Guide Dogs, Inc. Endowment Trust
Assets		
Cash and cash equivalents:		
Without donor restrictions	\$ 5,394,369	\$ -
With donor restrictions - purpose and time	4,250	-
With donor restrictions - perpetual in nature	-	87,114
Total cash and cash equivalents	5,398,619	87,114
Accrued interest receivable	5,012	8,302
Pledges receivable, net (Note 4)	1,015,975	-
Prepaid expenses and other assets	88,513	-
Merchandise inventory	40,746	-
Investments (Note 5):		
Restricted for gift annuity liability	32,443	43,120
Without donor restrictions	13,234,055	-
With donor restrictions - purpose and time	2,579,357	-
With donor restrictions - perpetual in nature	-	4,067,639
Total investments	15,845,855	4,110,759
Bequests and estates receivable	394,883	-
Charitable trusts receivable	305,578	-
Mortgage receivable	105,175	-
Assets held for sale (Note 7)	325,000	-
Property and equipment, net (Note 8)	24,446,974	-
Due from Southeastern Guide Dogs Endowment Trust, Inc.	124,688	-
 Total Assets	 \$ 48,097,018	 \$ 4,206,175
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	1,326,258	167,808
 Net Assets:		
Without donor restrictions:		
Undesignated	7,495,442	-
Board designated funds for operating support	8,571,469	-
Investment in property and equipment	24,446,974	-
Total net assets without donor restrictions	40,513,885	-
With donor restrictions:		
Purpose and time restrictions	6,256,875	-
Perpetual in nature	-	4,038,367
Total net assets with donor restrictions (Note 11)	6,256,875	4,038,367
 Total net assets	 46,770,760	 4,038,367
 Total Liabilities and Net Assets	 \$ 48,097,018	 \$ 4,206,175

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 5,394,369
-	4,250
-	87,114
<u>-</u>	<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>-</u>	<u>19,956,614</u>
-	394,883
-	305,578
-	105,175
-	325,000
-	24,446,974
<u>(124,688)</u>	<u>-</u>
<u>\$ (124,688)</u>	<u>\$ 52,178,505</u>
\$ -	\$ 1,293,815
-	75,563
<u>(124,688)</u>	<u>-</u>
<u>(124,688)</u>	<u>1,369,378</u>
-	7,495,442
-	8,571,469
-	24,446,974
<u>-</u>	<u>40,513,885</u>
-	6,256,875
-	4,038,367
<u>-</u>	<u>10,295,242</u>
<u>-</u>	<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.		
	Without Donor Restrictions	With Donor Restrictions	Total
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 and nonfinancial assets (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, net of investment expenses	282,783	76,129	358,912
Total support and revenue	<u>16,936,225</u>	<u>4,476,496</u>	<u>21,412,721</u>
Net asset released from restrictions	<u>10,924,102</u>	<u>(10,924,102)</u>	<u>-</u>
Total support, revenue and releases	<u>27,860,327</u>	<u>(6,447,606)</u>	<u>21,412,721</u>
Functional Expenses			
Program services	13,179,834	-	13,179,834
Supporting services:			
Management and general	1,007,287	-	1,007,287
Fundraising	2,873,722	-	2,873,722
Total functional expenses	<u>17,060,843</u>	<u>-</u>	<u>17,060,843</u>
Change in net assets before change in value of split interest agreements	<u>10,799,484</u>	<u>(6,447,606)</u>	<u>4,351,878</u>
Change in value of split interest agreements	<u>3,958</u>	<u>31,352</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	<u>29,633,828</u>	<u>12,673,129</u>	<u>42,306,957</u>
Net assets - end of year	<u>\$ 40,513,885</u>	<u>\$ 6,256,875</u>	<u>\$ 46,770,760</u>

Southeastern Guide Dogs, Inc. Endowment Trust

	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total
\$	-	\$ 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)
	76,615	(6,154)	70,461	429,373
	<u>76,615</u>	<u>361,956</u>	<u>438,571</u>	<u>21,851,292</u>
	-	-	-	-
	<u>76,615</u>	<u>361,956</u>	<u>438,571</u>	<u>21,851,292</u>
	-	-	-	13,179,834
	-	-	-	1,007,287
	-	-	-	2,873,722
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,060,843</u>
	<u>76,615</u>	<u>361,956</u>	<u>438,571</u>	<u>4,790,449</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><u>\$ 4,038,367</u></u>	<u><u>\$ 4,038,367</u></u>	<u><u>\$ 50,809,127</u></u>

See Independent Auditor's Report.