

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

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

JUNE 30, 2015 AND 2014

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
COMBINED FINANCIAL STATEMENTS	
Combined Statements of Financial Position	2
Combined Statement of Activities - 2015	3
Combined Statement of Activities - 2014	4
Combined Statements of Cash Flows	5
Combined Statement of Functional Expenses - 2015	6
Combined Statement of Functional Expenses - 2014	7
Notes to Combined Financial Statements	8
SUPPLEMENTAL INFORMATION	
Combining Schedule of Financial Position - 2015	27
Combining Schedule of Activities - 2015	28
Combining Schedule of Financial Position - 2014	29
Combining Schedule of Activities - 2014	30

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, 2015 and 2014, and the related combined statements of activities, cash flows and functional expenses for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Guide Dogs, Inc. and Southeastern Guide Dogs, Inc. Endowment Trust as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has not been subjected to the auditing procedures applied in the audits of the combined financial statements. Accordingly, it is inappropriate to and we do not express an opinion on the supplemental information referred to above.

Sarasota, Florida
November 17, 2015

Ben Kering Partner & C.

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

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents		
Unrestricted	\$ 856,099	\$ 1,274,169
Restricted for temporarily restricted purposes	8,094,803	507,230
Restricted for permanently restricted purposes	71,450	91,492
Total cash and cash equivalents	<u>9,022,352</u>	<u>1,872,891</u>
Accrued interest receivable	6,275	8,595
Pledges receivable (Note 11)	2,899,516	1,605,055
Prepaid expenses and other assets	61,147	81,752
Merchandise inventory	43,789	96,511
Investments (Note 3)		
Restricted for gift annuity liability	103,363	110,090
Unrestricted	7,771,009	8,444,453
Temporarily restricted	2,589,802	2,259,062
Permanently restricted	3,103,923	3,127,237
Total investments	<u>13,568,097</u>	<u>13,940,842</u>
Bequests and estates receivable	248,370	546,762
Charitable trusts receivable	1,252,359	1,279,279
Assets held for sale (Note 10)	399,000	399,000
Property and equipment, net (Note 2)	<u>5,763,185</u>	<u>5,601,689</u>
 Total Assets	 <u>\$ 33,264,090</u>	 <u>\$ 25,432,376</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 402,139	\$ 414,996
Gift annuity liability	103,363	110,090
Total liabilities	<u>505,502</u>	<u>525,086</u>
Net Assets		
Unrestricted - undesignated	2,662,295	2,059,981
Board designated funds for operating support	5,460,260	6,822,665
Investment in property and equipment	5,763,185	5,601,689
Total unrestricted	<u>13,885,740</u>	<u>14,484,335</u>
Temporarily restricted (Note 8)	15,676,462	7,171,291
Permanently restricted (Note 8)	3,196,386	3,251,664
Total net assets	<u>32,758,588</u>	<u>24,907,290</u>
 Total Liabilities and Net Assets	 <u>\$ 33,264,090</u>	 <u>\$ 25,432,376</u>

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

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

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted
Support and Revenue			
Individuals	\$ 1,023,211	\$ 4,637,976	\$ 25
Bequests	2,286,740		
Lions Club	150,400	100,914	22,000
Service clubs	52,905	186,376	
CFC project	88,620	223	160
Foundations	633,886	5,253,320	
Corporate donations	171,679	234,868	1,000
Contributed services	1,238,908		
Other revenue	144,341		
Merchandise sales, net of cost of sales of \$278,974	(80,323)		
Special events, net of direct costs of \$382,301	515,811		
Gain (loss) on disposal of assets	(2,380)		
Realized gain on investments	26,632	38,788	38,796
Unrealized gain (loss) on investments	(312,760)	(133,579)	(122,741)
Investment income	284,279	77,101	7,070
Total support and revenue	<u>6,221,949</u>	<u>10,395,987</u>	<u>(53,690)</u>
Net assets released from restrictions	<u>1,863,896</u>	<u>(1,863,896)</u>	
Total support, revenue and releases	<u>8,085,845</u>	<u>8,532,091</u>	<u>(53,690)</u>
Functional Expenses			
Program services	6,942,422		
Supporting services			
Management and general	748,153		
Fundraising	989,828		
Total functional expenses	<u>8,680,403</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets before change in value of split interest agreements	<u>(594,558)</u>	<u>8,532,091</u>	<u>(53,690)</u>
Change in value of split interest agreements	<u>(4,037)</u>	<u>(26,920)</u>	<u>(1,588)</u>
Increase (decrease) in net assets	(598,595)	8,505,171	(55,278)
Net assets - beginning of year	14,484,335	7,171,291	3,251,664
Net assets - end of year	<u>\$ 13,885,740</u>	<u>\$ 15,676,462</u>	<u>\$ 3,196,386</u>

Total	2014 Total
\$ 5,661,212	\$ 3,463,499
2,286,740	1,762,134
273,314	233,256
239,281	380,409
89,003	102,811
5,887,206	2,008,947
407,547	301,482
1,238,908	365,852
144,341	142,594
(80,323)	(38,861)
515,811	465,986
(2,380)	1,700
104,216	327,732
(569,080)	908,835
368,450	341,339
<u>16,564,246</u>	<u>10,767,715</u>
-	-
<u>16,564,246</u>	<u>10,767,715</u>
6,942,422	6,288,553
748,153	662,926
989,828	533,043
<u>8,680,403</u>	<u>7,484,522</u>
7,883,843	3,283,193
(32,545)	94,219
7,851,298	3,377,412
24,907,290	21,529,878
<u>\$ 32,758,588</u>	<u>\$ 24,907,290</u>

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

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

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED TOTALS FOR 2015)

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

Total	2015 Total
\$ 3,463,499	\$ 5,661,212
1,762,134	2,286,740
233,256	273,314
380,409	239,281
102,811	89,003
2,008,947	5,887,206
301,482	407,547
365,852	1,238,908
142,594	144,341
(38,861)	(80,323)
465,986	515,811
1,700	(2,380)
327,732	104,216
908,835	(569,080)
341,339	368,450
<u>10,767,715</u>	<u>16,564,246</u>
-	-
<u>10,767,715</u>	<u>16,564,246</u>
6,288,553	6,942,422
662,926	748,153
533,043	989,828
<u>7,484,522</u>	<u>8,680,403</u>
3,283,193	7,883,843
94,219	(32,545)
3,377,412	7,851,298
21,529,878	24,907,290
<u>\$ 24,907,290</u>	<u>\$ 32,758,588</u>

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

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

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 7,851,298	\$ 3,377,412
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	513,394	455,126
Realized and unrealized (gain) loss on investments	464,864	(1,236,567)
Change in value of split interest agreements	32,545	(94,219)
Gain on disposal of assets	2,380	(1,700)
Contributions restricted for long-term investments	(9,030,490)	(2,956,246)
(Increase) decrease in operating assets		
Accrued interest receivable	2,320	2,144
Prepaid expenses and other assets	20,605	(6,180)
Merchandise inventory	52,722	(46,476)
Bequests and estates receivable	298,392	756,605
Charitable trusts receivable	26,920	(116,516)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	57,646	124,352
Gift annuity liability	(39,272)	80,338
Total adjustments	<u>(7,597,974)</u>	<u>(3,039,339)</u>
Net cash provided by operating activities	<u>253,324</u>	<u>338,073</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(750,272)	(2,726,951)
Proceeds from the disposal of assets	2,500	1,700
Purchases of investments	(3,617,013)	(6,367,361)
Proceeds from sales of investments	3,524,893	6,225,149
Net cash used in investing activities	<u>(839,892)</u>	<u>(2,867,463)</u>
Cash Flows from Financing Activities		
Contributions, net of change in pledges, restricted for long-term investments	<u>7,736,029</u>	<u>1,377,491</u>
Increase (decrease) in cash and cash equivalents	7,149,461	(1,151,899)
Cash and cash equivalents - beginning of year	1,872,891	3,024,790
Cash and cash equivalents - end of year	<u>\$ 9,022,352</u>	<u>\$ 1,872,891</u>

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

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR 2014)

	Program Services	Management and General	Fundraising
Salaries	\$ 3,254,606	\$ 379,975	\$ 627,706
Employee benefits	349,229	40,771	67,354
Payroll taxes	233,703	28,992	44,165
Total personnel expense	<u>3,837,538</u>	<u>449,738</u>	<u>739,225</u>
Advertising and promotions	318,697	3,461	48,028
In-kind advertising and promotions	998,418	4,000	
Breeding cost, kennel supplies and veterinary services	376,418		
General insurance	120,196	4,056	5,725
Maintenance and equipment	341,663	12,901	8,030
Occupancy	115,851	9,007	9,701
Office	29,955	24,761	9,896
Other	19,704	17,209	28,222
Printing	66,052	662	27,643
Professional fees and contracted services	91,552	106,458	79,706
Student meals and other	28,895		
Supplies	46,291	5,540	3,646
Telephone	19,939	2,362	2,346
Travel	119,515	6,342	27,660
Total functional expenses before depreciation	<u>6,530,684</u>	<u>646,497</u>	<u>989,828</u>
Depreciation	<u>411,738</u>	<u>101,656</u>	
Total functional expenses - 2015	\$ <u><u>6,942,422</u></u>	\$ <u><u>748,153</u></u>	\$ <u><u>989,828</u></u>
Percent of Total - 2015	79.98%	8.62%	11.40%
Total functional expenses - 2014	\$ <u><u>6,288,553</u></u>	\$ <u><u>662,926</u></u>	\$ <u><u>533,043</u></u>
Percent of Total - 2014	84.02%	8.86%	7.12%

<u>Total</u>	<u>2014 Total</u>
\$ 4,262,287	\$ 3,906,429
457,354	458,875
306,860	284,819
<u>5,026,501</u>	<u>4,650,123</u>
370,186	169,282
1,002,418	193,286
376,418	470,999
129,977	127,977
362,594	305,893
134,559	144,157
64,612	92,697
65,135	56,502
94,357	115,003
277,716	349,909
28,895	47,239
55,477	76,567
24,647	30,706
<u>153,517</u>	<u>199,056</u>
8,167,009	7,029,396
<u>513,394</u>	<u>455,126</u>
\$ <u><u>8,680,403</u></u>	\$ <u><u>7,484,522</u></u>
100.00%	100.00%
\$ <u><u>7,484,522</u></u>	
100.00%	

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

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED TOTALS FOR 2015)

	Program Services	Management and General	Fundraising
Salaries	\$ 3,341,526	\$ 362,160	\$ 202,743
Employee benefits	407,384	26,048	25,443
Payroll taxes	251,925	15,427	17,467
Total personnel expense	<u>4,000,835</u>	<u>403,635</u>	<u>245,653</u>
Advertising and promotions	46,122	4,663	118,497
In-kind advertising and promotions	193,042	244	
Breeding cost, kennel supplies and veterinary services	470,999		
General insurance	103,111	15,824	9,042
Maintenance and equipment	298,109	5,438	2,346
Occupancy	107,559	18,299	18,299
Office	76,270	7,195	9,232
Other	21,721	17,729	17,052
Printing	78,577	1,612	34,814
Professional fees and contracted services	216,849	88,726	44,334
Student meals and other	47,239		
Supplies	64,326	4,526	7,715
Telephone	29,845	861	
Travel	<u>168,826</u>	<u>4,171</u>	<u>26,059</u>
Total functional expenses before depreciation	5,923,430	572,923	533,043
Depreciation	<u>365,123</u>	<u>90,003</u>	
Total functional expenses - 2014	\$ <u>6,288,553</u>	\$ <u>662,926</u>	\$ <u>533,043</u>
Percent of Total - 2014	84.02%	8.86%	7.12%
Total functional expenses - 2015	\$ <u>6,942,422</u>	\$ <u>748,153</u>	\$ <u>989,828</u>
Percent of Total - 2015	79.98%	8.62%	11.40%

<u>Total</u>	<u>2015 Total</u>
\$ 3,906,429	\$ 4,262,287
458,875	457,354
284,819	306,860
<u>4,650,123</u>	<u>5,026,501</u>
169,282	370,186
193,286	1,002,418
470,999	376,418
127,977	129,977
305,893	362,594
144,157	134,559
92,697	64,612
56,502	65,135
115,003	94,357
349,909	277,716
47,239	28,895
76,567	55,477
30,706	24,647
<u>199,056</u>	<u>153,517</u>
7,029,396	8,167,009
<u>455,126</u>	<u>513,394</u>
\$ <u>7,484,522</u>	\$ <u>8,680,403</u>
100.00%	100.00%
\$ <u>8,680,403</u>	
100.00%	

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note I - Summary of Significant Accounting Policies

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.

Paws for Independence™

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

Paws for Patriots™

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

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

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

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

Emotional Support Dogs – provides well-behaved dogs to veterans for companionship and emotional support in the home.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

Organization (Continued)

Gifted Canines™

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

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

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

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

The School is situated in a peaceful setting on a 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 Kennel, and a Canine Assessment Center.

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

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

Principles of Combination

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

Financial Statements

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note I - 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.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

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.

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, 2012 through June 30, 2015.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note I - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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, 2015 and 2014.

Functional Allocation of Expenses

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

Financial Instruments Not Measured at Fair Value

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

Contributed Services

Contributed services reported in the accompanying combined financial statements are mainly comprised of advertising and promotional services for special events and program support. Contributed services for the years ended June 30, 2015 and 2014 totaled \$1,238,908 and \$365,852, respectively.

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

Split-Interest Agreements

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Land	\$ 408,651	\$ 408,651
Building	5,014,699	4,943,941
Kennels	1,361,883	1,361,883
Furniture and equipment	1,133,423	1,078,922
Transportation equipment	653,580	645,585
Freedom Walk	724,646	723,757
Construction in progress	592,473	59,040
	<u>9,889,355</u>	<u>9,221,779</u>
Less accumulated depreciation	4,126,170	3,620,090
Property and equipment, net	<u>\$ 5,763,185</u>	<u>\$ 5,601,689</u>

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$513,394 and \$455,126, respectively.

Note 3 - Investments

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

Following is a summary of investments at June 30, 2015:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 4,614,971	\$ 5,007,165	\$ 392,194
Fixed Income	7,740,437	7,637,344	(103,093)
REITS	503,365	502,127	(1,238)
Commodities	500,918	421,461	(79,457)
Total investments	<u>\$ 13,359,691</u>	<u>\$ 13,568,097</u>	<u>\$ 208,406</u>

For the year ended June 30, 2015, the Organization had realized gains and unrealized lossess on investments of \$104,216 and \$569,080 respectively, and incurred investment broker fees of \$55,920.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 3 - Investments (Continued)

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

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

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

Note 4 - Lease Commitments

The Organization leases office facilities and equipment under operating lease agreements expiring at various times through 2019.

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

2016	\$ 35,097
2017	34,061
2018	30,108
2019	10,134
	\$ <u>109,400</u>

Note 5 - Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$1,372,604 and \$362,568 for the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, advertising expense **includes \$1,002,418 and \$193,286 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 6 - 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 \$68,284 and \$55,220 for the years ended June 30, 2015 and 2014, respectively.

Deferred Compensation Plan

During 2015, the Organization adopted Deferred Compensation Agreement for the CEO under Internal Revenue Code 457. The Organization's reserve under the deferred compensation plan totaled \$75,000 for the year ended June 30, 2015, 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.

Note 7 - Financial Instruments with Credit Risk

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

Note 8 - Net Asset Classifications

The Organization's net assets have been classified into the following categories as of June 30, 2015 and 2014:

Board Designation of Unrestricted Net Assets

It is policy of the Organization's Board of Directors to periodically designate appropriate sums to assure adequate financing of future projects and contingencies. As of June 30, 2015 and 2014, \$5,460,260 and \$6,822,665 has been designated by the board for operating support, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 8 - Net Asset Classifications (Continued)

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:

	2015	2014
Charitable remainder trusts	\$ 1,252,359	\$ 1,279,279
Payroll	26,489	27,220
Guide dog training	2,564,326	2,654,588
Paws for Patriots	581,550	375,000
Paws for Patriots - Service Dogs	113,500	116,100
Veterinary Clinic	-	305,260
Student Center	6,855,154	2,379,254
Puppy Academy	4,241,137	-
Other	41,947	34,590
Total temporarily restricted net assets	\$ <u>15,676,462</u>	\$ <u>7,171,291</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:

	2015	2014
Charitable gift annuities	\$ 103,207	\$ 108,635
Endowments	3,093,179	3,143,029
Total permanently restricted net assets	\$ <u>3,196,386</u>	\$ <u>3,251,664</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 9 - Net Assets Released from Restrictions

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

	2015	2014
Veterinary Clinic	\$ 39,671	\$ 842,678
Paws for Patriots	787,975	835,706
Paws for Patriots - Service Dogs	289,426	74,310
Guide dog training	62,001	63,837
Assessment Center	-	1,316,611
Puppy Academy	83,907	-
Kennel Enrichment	-	39,607
Student Center	533,870	-
Payroll	731	248
Other	66,315	311,159
Total net assets released from restrictions	\$ 1,863,896	\$ 3,484,156

Note 10 - Assets Held For Sale

During 2007, the School received land valued at \$588,000. During the year ended June 30, 2011, the School recognized a loss of \$189,000 on the assets held for sale due to the deterioration of market conditions. For the fiscal years ended June 30, 2015 and 2014, the balance of assets held for sale consists of land valued at \$399,000. It is not the intention of the School to utilize these assets for purposes other than selling them for cash. As such, they have been segregated from property and equipment, and are shown as assets held for sale. The School's policy is to hold assets held for sale at fair value less anticipated costs to sell.

Note 11 - Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2015	2014
Pledges receivable	\$ 3,551,549	\$ 1,939,725
Less: discount to net present value	(652,033)	(334,670)
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	2,899,516	1,605,055
Less current portion	1,162,589	558,161
Amount collectible within 2-5 years	\$ 1,736,927	\$ 1,046,894

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 12 - Fair Value of Financial Assets and Liabilities

The Organization values certain assets in accordance with the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. The *Fair Value Measurements and Disclosures* Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The *Fair Value Measurements and Disclosure* Topic requires the Organization to present fair value measurements separately for each class of assets and liabilities as of June 30, 2015 and 2014.

The following table presents information about the Organization's classes of assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2015 and 2014, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

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

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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

Description	June 30, 2015	Assets and Liabilities Measured at Fair Value on a Recurring Basis at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
U.S. large cap	\$ 2,109,256	\$ 2,109,256	\$	\$
U.S. mid cap	412,556	412,556		
U.S. small cap	244,620	244,620		
Internationally developed	1,518,347	1,518,347		
Emerging markets	722,386	722,386		
Total equities	5,007,165	5,007,165	-	-
Fixed Income				
Investment grade taxable	7,172,690		7,172,690	
Inflation linked	10,914		10,914	
Other bonds	434,729		434,729	
Global high yield taxable	19,011		19,011	
Total fixed income	7,637,344	-	7,637,344	-
REITS	502,127	502,127		
Commodities	421,461	421,461		
Total investments	13,568,097	5,930,753	7,637,344	-
Charitable trusts receivable	1,252,359		1,252,359	
Total assets at fair value	\$ 14,820,456	\$ 5,930,753	\$ 8,889,703	\$ -
Gift annuity liability	\$ 103,363	\$	\$	\$ 103,363

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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

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

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

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

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended June 30, 2015:

	Gift Annuity Liability
Beginning balance	\$ 110,090
Change in value of split interest agreements	8,833
Annuity payments	(15,560)
Ending balance	\$ 103,363

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, 2014 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

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

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

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

Note 13 - Endowment

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

Interpretations of Relevant Law

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

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

Effective July 1, 2012, the Organization adopted Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The adoption of FUPMIFA resulted in no changes to permanently restricted net assets as the Trust Indenture remains the primary guidance on how to administer and account for endowment assets. There were no changes to the Trust Indenture during the years ended June 30, 2015 and 2014.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 13 - Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ -	\$ 3,251,664	\$ 3,251,664
Endowment investment return:			
Interest and dividends		7,070	7,070
Realized and unrealized gains		(83,945)	(83,945)
Total endowment investment return	-	(76,875)	(76,875)
Contributions		23,185	23,185
Change in value of split-interest agreements		(1,588)	(1,588)
Total endowment activity	-	21,597	21,597
Endowment net assets, June 30, 2015	\$ -	\$ 3,196,386	\$ 3,196,386

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

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

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are shown on the combining schedule of activities on pages 27 and 28 as part of the supplemental information to these combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 13 - Endowment (Continued)

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, 2015 and 2014 allows the Organization to spend up to all of the investment earnings each year for general support. Additionally, the Board of Directors has the right to invade principal of the endowment through a Board resolution for an amount not to exceed 10% of the principal balance as of the first day of the month in which the resolution was adopted. This right to invade principal may be exercised not more than once in any calendar year and has not been exercised since the Endowment Trust Fund was established in 1989.

Note 14 - Contingencies

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 15 - Related Party Transactions

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

Note 16 - Subsequent Events

Management has evaluated all events subsequent to the statement of financial position date of June 30, 2015, through the date these combined financial statements were available for issuance, November 17, 2015, 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, 2015

<u>Assets</u>	<u>Southeastern Guide Dogs, Inc.</u>	<u>Southeastern Guide Dogs, Inc. Endowment Trust</u>
Cash and cash equivalents		
Unrestricted	\$ 856,099	\$
Restricted for temporarily restricted purposes	8,094,803	
Restricted for permanently restricted purposes		71,450
Total cash and cash equivalents	<u>8,950,902</u>	<u>71,450</u>
Accrued interest receivable	4,114	2,161
Pledges receivable (Note 11)	2,899,516	
Prepaid expenses and other assets	61,147	
Merchandise inventory	43,789	
Investments (Note 3)		
Restricted for gift annuity liability	43,306	60,057
Unrestricted	7,771,009	
Temporarily restricted	2,589,802	
Permanently restricted		3,103,923
Total investments	<u>10,404,117</u>	<u>3,163,980</u>
Bequests and estates receivable	248,370	
Charitable trusts receivable	1,252,359	
Assets held for sale (Note 10)	399,000	
Property and equipment, net (Note 2)	5,763,185	
Due from Southeastern Guide Dogs, Inc.		<u>18,852</u>
 Total Assets	 <u>\$ 30,026,499</u>	 <u>\$ 3,256,443</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 402,139	\$
Gift annuity liability	43,306	60,057
Due to Southeastern Guide Dogs, Inc. Endowment Trust	18,852	
Total liabilities	<u>464,297</u>	<u>60,057</u>
 Net Assets		
Unrestricted - undesignated	2,662,295	
Board designated funds for operating support	5,460,260	
Investment in property and equipment	5,763,185	
Total unrestricted	<u>13,885,740</u>	-
Temporarily restricted (Note 8)	15,676,462	
Permanently restricted (Note 8)		3,196,386
Total net assets	<u>29,562,202</u>	<u>3,196,386</u>
 Total Liabilities and Net Assets	 <u>\$ 30,026,499</u>	 <u>\$ 3,256,443</u>

<u>Eliminations</u>	<u>Total</u>
\$	\$ 856,099
	8,094,803
	71,450
<u>-</u>	<u>9,022,352</u>
	6,275
	2,899,516
	61,147
	43,789
	103,363
	7,771,009
	2,589,802
	3,103,923
<u>-</u>	<u>13,568,097</u>
	248,370
	1,252,359
	399,000
	5,763,185
<u>(18,852)</u>	<u>-</u>
\$ <u><u>(18,852)</u></u>	\$ <u><u>33,264,090</u></u>
\$	\$ 402,139
	103,363
<u>(18,852)</u>	<u>-</u>
<u>(18,852)</u>	<u>505,502</u>
	2,662,295
	5,460,260
	5,763,185
<u>-</u>	<u>13,885,740</u>
	15,676,462
	3,196,386
<u>-</u>	<u>32,758,588</u>
\$ <u><u>(18,852)</u></u>	\$ <u><u>33,264,090</u></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, 2015

	Southeastern Guide Dogs, Inc			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Individuals	\$ 1,023,211	\$ 4,637,976	\$	\$ 5,661,187
Bequests	2,286,740			2,286,740
Lions Club	150,400	100,914		251,314
Service clubs	52,905	186,376		239,281
CFC project	88,620	223		88,843
Foundations	633,886	5,253,320		5,887,206
Corporate donations	171,679	234,868		406,547
Contributed services	1,238,908			1,238,908
Other revenue	144,341			144,341
Merchandise sales, net of cost of sales of \$278,974	(80,323)			(80,323)
Special events, net of direct costs of \$382,301	515,811			515,811
Gain (loss) on disposal of assets	(2,380)			(2,380)
Realized gain on investments	26,632	38,788		65,420
Unrealized loss on investments	(312,760)	(133,579)		(446,339)
Investment income	197,863	77,101		274,964
Total support and revenue	6,135,533	10,395,987	-	16,531,520
Net asset released from restrictions	1,863,896	(1,863,896)	-	-
Total support, revenue and releases	7,999,429	8,532,091	-	16,531,520
Functional Expenses				
Program services	6,942,422			6,942,422
Supporting services				
Management and general	730,920			730,920
Fundraising	989,828			989,828
Total functional expenses	8,663,170	-	-	8,663,170
Increase (decrease) in net assets before change in value of split interest agreements	(663,741)	8,532,091	-	7,868,350
Change in value of split interest agreements	(4,037)	(26,920)		(30,957)
Increase (decrease) in net assets	(667,778)	8,505,171	-	7,837,393
Transfers in (out)	69,183			69,183
Net assets - beginning of year	14,484,335	7,171,291	-	21,655,626
Net assets - end of year	\$ 13,885,740	\$ 15,676,462	\$ -	\$ 29,562,202

Southeastern Guide Dogs, Inc. Endowment Trust				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Combined Total
\$	\$	\$ 25	\$ 25	\$ 5,661,212
			-	2,286,740
		22,000	22,000	273,314
			-	239,281
		160	160	89,003
			-	5,887,206
		1,000	1,000	407,547
			-	1,238,908
			-	144,341
			-	(80,323)
			-	515,811
			-	(2,380)
		38,796	38,796	104,216
		(122,741)	(122,741)	(569,080)
86,416		7,070	93,486	368,450
86,416	-	(53,690)	32,726	16,564,246
			-	-
86,416	-	(53,690)	32,726	16,564,246
			-	6,942,422
17,233			17,233	748,153
			-	989,828
17,233	-	-	17,233	8,680,403
69,183	-	(53,690)	15,493	7,883,843
		(1,588)	(1,588)	(32,545)
69,183	-	(55,278)	13,905	7,851,298
(69,183)			(69,183)	-
-	-	3,251,664	3,251,664	24,907,290
\$ -	\$ -	\$ 3,196,386	\$ 3,196,386	\$ 32,758,588

See Independent Auditor's Report.

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

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2014

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

<u>Eliminations</u>	<u>Total</u>
\$	\$ 1,274,169
	507,230
	91,492
<u>-</u>	<u>1,872,891</u>
	8,595
	1,605,055
	81,752
	96,511
	110,090
	8,444,453
	2,259,062
	3,127,237
<u>-</u>	<u>13,940,842</u>
	546,762
	1,279,279
	399,000
	5,601,689
<u>(28,913)</u>	<u>-</u>
\$ <u><u>(28,913)</u></u>	\$ <u><u>25,432,376</u></u>
\$	\$ 414,996
	110,090
<u>(28,913)</u>	<u>-</u>
<u>(28,913)</u>	<u>525,086</u>
	2,059,981
	6,822,665
	5,601,689
<u>-</u>	<u>14,484,335</u>
	7,171,291
	3,251,664
<u>-</u>	<u>24,907,290</u>
\$ <u><u>(28,913)</u></u>	\$ <u><u>25,432,376</u></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, 2014

	Southeastern Guide Dogs, Inc.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Individuals	\$ 730,272	\$ 2,733,227	\$	\$ 3,463,499
Bequests	1,677,901	84,233		1,762,134
Lions Club	130,857	102,399		233,256
Service clubs	97,321	283,088		380,409
CFC project	102,526	80		102,606
Foundations	716,518	1,287,429		2,003,947
Corporate donations	124,193	176,539		300,732
Contributed services	365,852			365,852
Other revenue	142,594			142,594
Merchandise sales, net of cost of sales of \$260,151	(38,861)			(38,861)
Special events, net of direct costs of \$238,748	465,986			465,986
Gain on disposal of assets	1,700			1,700
Realized gain on investments	209,653	65,429		275,082
Unrealized loss on investments	522,183	213,378		735,561
Investment income	189,821	63,183		253,004
Total support and revenue	5,438,516	5,008,985	-	10,447,501
Net asset released from restrictions	3,484,156	(3,484,156)		-
Total support, revenue and releases	8,922,672	1,524,829	-	10,447,501
Functional Expenses				
Program services	6,288,553			6,288,553
Supporting services				
Management and general	645,874			645,874
Fundraising	533,043			533,043
Total functional expenses	7,467,470	-	-	7,467,470
Increase (decrease) in net assets before change in value of split interest agreements	1,455,202	1,524,829	-	2,980,031
Change in value of split interest agreements	1,813	95,832		97,645
Increase (decrease) in net assets	1,457,015	1,620,661	-	3,077,676
Transfers in (out)	71,733			71,733
Net assets - beginning of year	12,955,587	5,550,630	-	18,506,217
Net assets - end of year	\$ 14,484,335	\$ 7,171,291	\$ -	\$ 21,655,626

Southeastern Guide Dogs, Inc. Endowment Trust

Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Combined Total
\$	\$	\$	\$	\$
			-	3,463,499
			-	1,762,134
			-	233,256
			-	380,409
		205	205	102,811
		5,000	5,000	2,008,947
		750	750	301,482
			-	365,852
			-	142,594
			-	(38,861)
			-	465,986
			-	1,700
		52,650	52,650	327,732
		173,274	173,274	908,835
88,785		(450)	88,335	341,339
<u>88,785</u>	<u>-</u>	<u>231,429</u>	<u>320,214</u>	<u>10,767,715</u>
			-	-
<u>88,785</u>	<u>-</u>	<u>231,429</u>	<u>320,214</u>	<u>10,767,715</u>
			-	6,288,553
17,052			17,052	662,926
			-	533,043
<u>17,052</u>	<u>-</u>	<u>-</u>	<u>17,052</u>	<u>7,484,522</u>
71,733	-	231,429	303,162	3,283,193
		(3,426)	(3,426)	94,219
71,733	-	228,003	299,736	3,377,412
(71,733)			(71,733)	-
-		3,023,661	3,023,661	21,529,878
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,251,664</u>	<u>\$ 3,251,664</u>	<u>\$ 24,907,290</u>

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