

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

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

JUNE 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 8, 2016

Beckering Barkman & Co.

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

COMBINED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents		
Unrestricted	\$ 979,834	\$ 856,099
Restricted for temporarily restricted purposes	10,122,032	8,094,803
Restricted for permanently restricted purposes	118,040	71,450
Total cash and cash equivalents	<u>11,219,906</u>	<u>9,022,352</u>
Accrued interest receivable	6,325	6,275
Pledges receivable (Note 11)	4,249,400	2,899,516
Prepaid expenses and other assets	55,634	61,147
Merchandise inventory	33,355	43,789
Investments (Note 3)		
Restricted for gift annuity liability	99,385	103,363
Unrestricted	9,948,344	7,771,009
Temporarily restricted	2,488,165	2,589,802
Permanently restricted	3,310,143	3,103,923
Total investments	<u>15,846,037</u>	<u>13,568,097</u>
Bequests and estates receivable	61,056	248,370
Charitable trusts receivable	542,451	1,252,359
Assets held for sale (Note 10)	399,000	399,000
Property and equipment, net (Note 2)	<u>12,836,768</u>	<u>5,763,185</u>
 Total Assets	 <u>\$ 45,249,932</u>	 <u>\$ 33,264,090</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 1,027,196	\$ 402,139
Gift annuity liability	99,385	103,363
Total liabilities	<u>1,126,581</u>	<u>505,502</u>
 Net Assets		
Unrestricted - undesignated	4,051,031	2,662,295
Board designated funds for operating support	6,082,227	5,460,260
Investment in property and equipment	12,836,768	5,763,185
Total unrestricted	<u>22,970,026</u>	<u>13,885,740</u>
Temporarily restricted (Note 8)	17,690,057	15,676,462
Permanently restricted (Note 8)	3,463,268	3,196,386
Total net assets	<u>44,123,351</u>	<u>32,758,588</u>
 Total Liabilities and Net Assets	 <u>\$ 45,249,932</u>	 <u>\$ 33,264,090</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, 2016
(WITH SUMMARIZED TOTALS FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Support and Revenue			
Individuals	\$ 962,468	\$ 6,167,452	\$ 92,757
Bequests	1,925,871	1,324,804	
Lions Club	110,129	167,725	
Service clubs	65,329	219,976	
CFC project	85,098	1,920	1,222
Foundations	752,090	5,272,262	150,000
Corporate donations	103,748	424,621	51,200
Contributed services	992,885		
Other revenue	165,265		
Merchandise sales, net of cost of sales of \$141,266	(27,130)		
Special events, net of direct costs of \$590,980	843,881		
Loss on disposal of assets			
Realized gain (loss) on investments, net	7,892	9,107	(32,354)
Unrealized loss on investments, net	(83,407)	(44,816)	(2,958)
Investment income	384,181	85,061	15,106
Total support and revenue	<u>6,288,300</u>	<u>13,628,112</u>	<u>274,973</u>
Net assets released from restrictions	<u>11,607,443</u>	<u>(11,607,443)</u>	
Total support, revenue and releases	<u>17,895,743</u>	<u>2,020,669</u>	<u>274,973</u>
Functional Expenses			
Program services	6,915,580		
Supporting services			
Management and general	829,417		
Fundraising	1,063,790		
Total functional expenses	<u>8,808,787</u>	<u>-</u>	<u>-</u>
Increase in net assets before change in value of split interest agreements	<u>9,086,956</u>	<u>2,020,669</u>	<u>274,973</u>
Change in value of split interest agreements	<u>(2,670)</u>	<u>(7,074)</u>	<u>(8,091)</u>
Increase in net assets	9,084,286	2,013,595	266,882
Net assets - beginning of year	13,885,740	15,676,462	3,196,386
Net assets - end of year	<u>\$ 22,970,026</u>	<u>\$ 17,690,057</u>	<u>\$ 3,463,268</u>

Total	2015 Total
\$ 7,222,677	\$ 5,661,212
3,250,675	2,286,740
277,854	273,314
285,305	239,281
88,240	89,003
6,174,352	5,887,206
579,569	407,547
992,885	1,238,908
165,265	144,341
(27,130)	(80,323)
843,881	515,811
-	(2,380)
(15,355)	104,216
(131,181)	(569,080)
484,348	368,450
<u>20,191,385</u>	<u>16,564,246</u>
-	-
<u>20,191,385</u>	<u>16,564,246</u>
6,915,580	6,942,422
829,417	748,153
1,063,790	989,828
<u>8,808,787</u>	<u>8,680,403</u>
<u>11,382,598</u>	<u>7,883,843</u>
<u>(17,835)</u>	<u>(32,545)</u>
11,364,763	7,851,298
<u>32,758,588</u>	<u>24,907,290</u>
<u>\$ 44,123,351</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 STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
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		
Loss on disposal of assets	(2,380)		
Realized gain (loss) on investments, net	26,632	38,788	38,796
Unrealized loss on investments, net	(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	<u>14,484,335</u>	<u>7,171,291</u>	<u>3,251,664</u>
Net assets - end of year	<u>\$ 13,885,740</u>	<u>\$ 15,676,462</u>	<u>\$ 3,196,386</u>

	<u>Total</u>		<u>2016 Total</u>
\$	5,661,212	\$	7,222,677
	2,286,740		3,250,675
	273,314		277,854
	239,281		285,305
	89,003		88,240
	5,887,206		6,174,352
	407,547		579,569
	1,238,908		992,885
	144,341		165,265
	(80,323)		(27,130)
	515,811		843,881
	(2,380)		-
	104,216		(15,355)
	(569,080)		(131,181)
	368,450		484,348
	<u>16,564,246</u>		<u>20,191,385</u>
	-		-
	<u>16,564,246</u>		<u>20,191,385</u>
	6,942,422		6,915,580
	748,153		829,417
	989,828		1,063,790
	<u>8,680,403</u>		<u>8,808,787</u>
	7,883,843		11,382,598
	(32,545)		(17,835)
	7,851,298		11,364,763
	24,907,290		32,758,588
\$	<u><u>32,758,588</u></u>	\$	<u><u>44,123,351</u></u>

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

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

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ <u>11,364,763</u>	\$ <u>7,851,298</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	420,717	513,394
Realized and unrealized loss on investments, net	146,536	464,864
Change in value of split interest agreements	17,835	32,545
Loss on disposal of assets	-	2,380
Contributions restricted for long-term investments	(9,324,672)	(9,030,490)
(Increase) decrease in operating assets		
Accrued interest receivable	(50)	2,320
Prepaid expenses and other assets	5,513	20,605
Merchandise inventory	10,434	52,722
Contributions receivable, non-capital	(150,981)	-
Bequests and estates receivable	187,314	298,392
Charitable trusts receivable	709,908	26,920
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	90,635	57,646
Gift annuity liability	(21,813)	(39,272)
Total adjustments	<u>(7,908,624)</u>	<u>(7,597,974)</u>
Net cash provided by operating activities	<u>3,456,139</u>	<u>253,324</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(6,963,828)	(750,272)
Proceeds from the disposal of assets	3,950	2,500
Purchases of investments	(4,887,295)	(3,617,013)
Proceeds from sales of investments	<u>2,462,819</u>	<u>3,524,893</u>
Net cash used in investing activities	<u>(9,384,354)</u>	<u>(839,892)</u>
Cash Flows from Financing Activities		
Contributions, net of change in pledges, restricted for long-term investments	<u>8,125,769</u>	<u>7,736,029</u>
Increase in cash and cash equivalents	2,197,554	7,149,461
Cash and cash equivalents - beginning of year	9,022,352	1,872,891
Cash and cash equivalents - end of year	\$ <u><u>11,219,906</u></u>	\$ <u><u>9,022,352</u></u>

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

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED TOTALS FOR 2015)

	Program Services	Management and General	Fundraising
Salaries	\$ 3,510,341	\$ 403,954	\$ 704,758
Employee benefits	340,998	39,240	68,461
Payroll taxes	249,134	29,482	49,997
Total personnel expense	<u>4,100,473</u>	<u>472,676</u>	<u>823,216</u>
Advertising and promotions	564,137	3,715	578
In-kind advertising and promotions	625,865	57,864	
Breeding cost, kennel supplies and veterinary services	433,124		
General insurance	93,013	11,503	20,068
Maintenance and equipment	274,487	17,686	19,411
Occupancy	115,388	11,446	12,231
Office	35,331	26,819	14,769
Other	28,264	20,161	31,613
Printing	29,174	11,020	71,388
Professional fees and contracted services	61,457	95,960	19,610
Student meals and other	44,621		
Supplies	35,444	6,620	8,399
Telephone	23,909	4,013	5,511
Travel	111,816	8,294	36,996
Total functional expenses before depreciation	<u>6,576,503</u>	<u>747,777</u>	<u>1,063,790</u>
Depreciation	<u>339,077</u>	<u>81,640</u>	
Total functional expenses - 2016	\$ <u><u>6,915,580</u></u>	\$ <u><u>829,417</u></u>	\$ <u><u>1,063,790</u></u>
Percent of Total - 2016	78.51%	9.42%	12.08%
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	2015 Total
\$ 4,619,053	\$ 4,262,287
448,699	457,354
328,613	306,860
<u>5,396,365</u>	<u>5,026,501</u>
568,430	370,186
683,729	1,002,418
433,124	376,418
124,584	129,977
311,584	362,594
139,065	134,559
76,919	64,612
80,038	65,135
111,582	94,357
177,027	277,716
44,621	28,895
50,463	55,477
33,433	24,647
<u>157,106</u>	<u>153,517</u>
8,388,070	8,167,009
<u>420,717</u>	<u>513,394</u>
\$ <u>8,808,787</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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED TOTALS FOR 2016)

	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 - 2016	\$ <u><u>6,915,580</u></u>	\$ <u><u>829,417</u></u>	\$ <u><u>1,063,790</u></u>
Percent of Total - 2016	78.51%	9.42%	12.08%

<u>Total</u>	<u>2016 Total</u>
\$ 4,262,287	\$ 4,619,053
457,354	448,699
306,860	328,613
<u>5,026,501</u>	<u>5,396,365</u>
370,186	568,430
1,002,418	683,729
376,418	433,124
129,977	124,584
362,594	311,584
134,559	139,065
64,612	76,919
65,135	80,038
94,357	111,582
277,716	177,027
28,895	44,621
55,477	50,463
24,647	33,433
<u>153,517</u>	<u>157,106</u>
8,167,009	8,388,070
<u>513,394</u>	<u>420,717</u>
\$ <u>8,680,403</u>	\$ <u>8,808,787</u>
100.00%	100.00%
\$ <u>8,808,787</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, 2016 AND 2015

Note 1 - 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Financial Statements

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

Use of Estimates and Assumptions

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

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 DOGS, INC. ENDOWMENT TRUST

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 1 - 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, 2013 through June 30, 2016.

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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 1 - 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, 2016 and 2015.

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, 2016 and 2015 totaled \$992,885 and \$1,238,908, 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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 2 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2016	2015
Land	\$ 408,651	\$ 408,651
Building	5,051,774	5,014,699
Kennels	1,361,883	1,361,883
Furniture and equipment	1,141,477	1,133,423
Transportation equipment	842,470	653,580
Freedom Walk	724,646	724,646
Construction in progress	7,852,754	592,473
	<u>17,383,655</u>	<u>9,889,355</u>
Less accumulated depreciation	4,546,887	4,126,170
Property and equipment, net	<u>\$ 12,836,768</u>	<u>\$ 5,763,185</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$420,717 and \$513,394, 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, 2016:

	Cost	Fair Value	Accumulated Unrealized Gains (Losses)
Equities	\$ 5,515,539	\$ 5,643,708	\$ 128,169
Fixed Income	9,129,106	9,123,782	(5,324)
REITS	601,363	643,772	42,409
Commodities	522,802	434,775	(88,027)
Total investments	<u>\$ 15,768,810</u>	<u>\$ 15,846,037</u>	<u>\$ 77,227</u>

For the year ended June 30, 2016, the Organization had realized losses and unrealized losses on investments of \$15,355 and \$131,181 respectively, and incurred investment broker fees of \$54,752.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 3 - Investments (Continued)

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 losses on investments of \$104,216 and \$569,080 respectively, and incurred investment broker fees of \$55,920.

Note 4 - Lease Commitments

The Organization leases equipment under operating lease agreements expiring at various times through 2017.

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

2017	\$ 4,830
	<u>\$ 4,830</u>

Note 5 - Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$1,252,159 and \$1,372,604 for the years ended June 30, 2016 and 2015, respectively. For the years ended June 30, 2016 and 2015, advertising expense includes \$683,729 and \$1,002,418 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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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 \$50,840 and \$68,284 for the years ended June 30, 2016 and 2015, 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 \$120,487 and \$75,000 for the years ended June 30, 2016 and 2015, respectively, and is included in accrued expenses together with an amount representing investment earnings on the unpaid balance. The employee will have no rights nor will be paid until five years following each contribution date provided the employee has been employed by the Organization continuously until that time.

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, 2016 and 2015:

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, 2016 and 2015, \$6,082,227 and \$5,460,260 has been designated by the board for operating support, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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:

	2016	2015
Charitable remainder trusts	\$ 542,451	\$ 1,252,359
D. Martin Guide dog training	2,540,836	2,564,326
Paws for Patriots	700,600	581,550
Paws for Patriots – Veterans Service	10,000	113,500
Student Services Center	1,639,487	6,855,154
Puppy Academy	3,875,547	4,241,137
Guide Dog University	7,578,610	-
Training Vans	258,048	-
Training Costs	487,402	-
Other	57,076	68,436
Total temporarily restricted net assets	\$ <u>17,690,057</u>	\$ <u>15,676,462</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:

	2016	2015
Charitable gift annuities	\$ 95,116	\$ 103,207
Endowments	3,368,152	3,093,179
Total permanently restricted net assets	\$ <u>3,463,268</u>	\$ <u>3,196,386</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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:

	2016	2015
Veterinary Clinic	\$ 9,187	\$ 39,671
Paws for Patriots	1,653,039	787,975
Paws for Patriots – Veteran Service	309,524	289,426
Guide dog training	72,837	62,001
Guide Dog University	39,753	-
Puppy Academy	1,444,647	83,907
Student Services	5,842,919	533,870
Maturity of charitable remainder trusts	702,833	-
Advertising	500,000	-
Training Vans	191,952	-
Training Costs	820,653	-
Other	20,099	67,046
Total net assets released from restrictions	\$ 11,607,443	\$ 1,863,896

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, 2016 and 2015, 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:

	2016	2015
Pledges receivable	\$ 5,051,756	\$ 3,551,549
Less: discount to net present value	(802,356)	(652,033)
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	4,249,400	2,899,516
Less current portion	1,951,366	1,162,589
Amount collectible within 2-5 years	\$ 2,298,034	\$ 1,736,927

SOUTHEASTERN GUIDE DOGS, INC. AND
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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, 2016 and 2015.

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, 2016 and 2015, 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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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

Description	June 30, 2016	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	\$ 2,237,503	\$ 2,237,503	\$	\$
U.S. mid cap	489,955	489,955		
U.S. small cap	286,919	286,919		
Internationally developed	1,661,568	1,661,568		
Emerging markets	967,763	967,763		
Total equities	5,463,708	5,463,708	-	-
Fixed Income				
Investment grade taxable	8,790,187		8,790,187	
Inflation linked	11,364		11,364	
Other bonds	303,570		303,570	
Global high yield taxable	18,661		18,661	
Total fixed income	9,123,782	-	9,123,782	-
REITS	643,772	643,772		
Commodities	434,775	434,775		
Total investments	15,846,037	6,722,255	9,123,782	-
Charitable trusts receivable	542,451		542,451	
Total assets at fair value	\$ 16,388,488	\$ 6,722,255	\$ 9,666,233	\$ -
Gift annuity liability	\$ 99,385	\$ -	\$ -	\$ 99,385

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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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, 2016:

	Gift Annuity Liability
Beginning balance	\$ 103,363
Change in value of split interest agreements	10,761
Annuity payments	(14,739)
Ending balance	\$ 99,385

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, 2015 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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, 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

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, 2016 and 2015.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

Note 13 - Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	\$ -	\$ 3,196,386	\$ 3,196,386
Endowment investment return:			
Interest and dividends		15,106	15,106
Realized and unrealized loss, net		(35,312)	(35,312)
Total endowment investment return	-	(20,206)	(20,206)
Contributions		295,179	295,179
Change in value of split-interest agreements		(8,091)	(8,091)
Total endowment activity	-	287,088	287,088
Endowment net assets, June 30, 2016	\$ -	\$ 3,463,268	\$ 3,463,268

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 loss, net		(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 years ended June 30, 2016 and 2015 are shown on the combining schedule of activities on pages 27 and 29 as part of the supplemental information to these combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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, 2016 and 2015 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
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NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016 AND 2015

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, 2016, through the date these combined financial statements were available for issuance, November 8, 2016, 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, 2016

<u>Assets</u>	<u>Southeastern Guide Dogs, Inc.</u>	<u>Southeastern Guide Dogs, Inc. Endowment Trust</u>
Cash and cash equivalents		
Unrestricted	\$ 979,834	\$
Restricted for temporarily restricted purposes	10,122,032	
Restricted for permanently restricted purposes		118,040
Total cash and cash equivalents	<u>11,101,866</u>	<u>118,040</u>
Accrued interest receivable	4,208	2,117
Pledges receivable (Note 11)	4,249,400	
Prepaid expenses and other assets	55,634	
Merchandise inventory	33,355	
Investments (Note 3)		
Restricted for gift annuity liability	42,217	57,168
Unrestricted	9,948,344	
Temporarily restricted	2,488,165	
Permanently restricted		3,310,143
Total investments	<u>12,478,726</u>	<u>3,367,311</u>
Bequests and estates receivable	61,056	
Charitable trusts receivable	542,451	
Assets held for sale (Note 10)	399,000	
Property and equipment, net (Note 2)	12,836,768	
Due from Southeastern Guide Dogs, Inc.		32,968
 Total Assets	 <u>\$ 41,762,464</u>	 <u>\$ 3,520,436</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable and accrued expenses	\$ 1,027,196	\$
Gift annuity liability	42,217	57,168
Due to Southeastern Guide Dogs, Inc. Endowment Trust	32,968	
Total liabilities	<u>1,102,381</u>	<u>57,168</u>
 Net Assets		
Unrestricted - undesignated	4,051,031	
Board designated funds for operating support	6,082,227	
Investment in property and equipment	12,836,768	
Total unrestricted	<u>22,970,026</u>	-
Temporarily restricted (Note 8)	17,690,057	
Permanently restricted (Note 8)		3,463,268
Total net assets	<u>40,660,083</u>	<u>3,463,268</u>
 Total Liabilities and Net Assets	 <u>\$ 41,762,464</u>	 <u>\$ 3,520,436</u>

<u>Eliminations</u>	<u>Total</u>
\$	\$ 979,834
	10,122,032
	118,040
<u>-</u>	<u>11,219,906</u>
	6,325
	4,249,400
	55,634
	33,355
	99,385
	9,948,344
	2,488,165
	3,310,143
<u>-</u>	<u>15,846,037</u>
	61,056
	542,451
	399,000
	12,836,768
<u>(32,968)</u>	<u>-</u>
\$ <u><u>(32,968)</u></u>	\$ <u><u>45,249,932</u></u>
\$	\$ 1,027,196
	99,385
<u>(32,968)</u>	<u>-</u>
<u>(32,968)</u>	<u>1,126,581</u>
	4,051,031
	6,082,227
	12,836,768
<u>-</u>	<u>22,970,026</u>
	17,690,057
	3,463,268
<u>-</u>	<u>44,123,351</u>
\$ <u><u>(32,968)</u></u>	\$ <u><u>45,249,932</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, 2016

	Southeastern Guide Dogs, Inc.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue				
Individuals	\$ 962,468	\$ 6,167,452	\$	\$ 7,129,920
Bequests	1,925,871	1,324,804		3,250,675
Lions Club	110,129	167,725		277,854
Service clubs	65,329	219,976		285,305
CFC project	85,098	1,920		87,018
Foundations	752,090	5,272,262		6,024,352
Corporate donations	103,748	424,621		528,369
Contributed services	992,885			992,885
Other revenue	165,265			165,265
Merchandise sales, net of cost of sales of \$141,248	(27,130)			(27,130)
Special events, net of direct costs of \$590,980	843,881			843,881
Realized gain (loss) on investments, net	7,892	9,107		16,999
Unrealized loss on investments, net	(83,407)	(44,816)		(128,223)
Investment income	288,673	85,061		373,734
Total support and revenue	6,192,792	13,628,112	-	19,820,904
Net asset released from restrictions	11,607,443	(11,607,443)	-	-
Total support, revenue and releases	17,800,235	2,020,669	-	19,820,904
Functional Expenses				
Program services	6,915,580			6,915,580
Supporting services				
Management and general	812,530			812,530
Fundraising	1,063,790			1,063,790
Total functional expenses	8,791,900	-	-	8,791,900
Increase in net assets before change in value of split interest agreements	9,008,335	2,020,669	-	11,029,004
Change in value of split interest agreements	(2,670)	(7,074)		(9,744)
Increase in net assets	9,005,665	2,013,595	-	11,019,260
Transfers in (out)	78,621			78,621
Net assets - beginning of year	13,885,740	15,676,462	-	29,562,202
Net assets - end of year	\$ 22,970,026	\$ 17,690,057	\$ -	\$ 40,660,083

Southeastern Guide Dogs, Inc. Endowment Trust				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Combined Total
\$	\$	\$ 92,757	\$ 92,757	\$ 7,222,677
			-	3,250,675
			-	277,854
			-	285,305
		1,222	1,222	88,240
		150,000	150,000	6,174,352
		51,200	51,200	579,569
			-	992,885
			-	165,265
			-	(27,130)
			-	843,881
		(32,354)	(32,354)	(15,355)
		(2,958)	(2,958)	(131,181)
95,508		15,106	110,614	484,348
95,508	-	274,973	370,481	20,191,385
			-	-
95,508	-	274,973	370,481	20,191,385
			-	6,915,580
16,887			16,887	829,417
			-	1,063,790
16,887	-	-	16,887	8,808,787
78,621	-	274,973	353,594	11,382,598
		(8,091)	(8,091)	(17,835)
78,621	-	266,882	345,503	11,364,763
(78,621)			(78,621)	-
-	-	3,196,386	3,196,386	32,758,588
\$ -	\$ -	\$ 3,463,268	\$ 3,463,268	\$ 44,123,351

See Independent Auditor's Report.

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

COMBINING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2015

<u>Assets</u>	Southeastern Guide Dogs, Inc.	Southeastern Guide Dogs, Inc. Endowment Trust
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	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.		18,852
 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.			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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
Loss on disposal of assets	(2,380)			(2,380)
Realized gain on investments, net	26,632	38,788		65,420
Unrealized loss on investments, net	(312,760)	(133,579)		(446,339)
Investment income	197,863	77,101		274,964
Total support and revenue	<u>6,135,533</u>	<u>10,395,987</u>	-	<u>16,531,520</u>
Net asset released from restrictions	<u>1,863,896</u>	<u>(1,863,896)</u>		-
Total support, revenue and releases	<u>7,999,429</u>	<u>8,532,091</u>	-	<u>16,531,520</u>
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	<u>8,663,170</u>	-	-	<u>8,663,170</u>
Increase (decrease) in net assets before change in value of split interest agreements	<u>(663,741)</u>	<u>8,532,091</u>	-	<u>7,868,350</u>
Change in value of split interest agreements	<u>(4,037)</u>	<u>(26,920)</u>		<u>(30,957)</u>
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	<u>\$ 13,885,740</u>	<u>\$ 15,676,462</u>	<u>\$ -</u>	<u>\$ 29,562,202</u>

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
<u>86,416</u>	<u>-</u>	<u>(53,690)</u>	<u>32,726</u>	<u>16,564,246</u>
			-	-
<u>86,416</u>	<u>-</u>	<u>(53,690)</u>	<u>32,726</u>	<u>16,564,246</u>
			-	6,942,422
17,233			17,233	748,153
			-	989,828
<u>17,233</u>	<u>-</u>	<u>-</u>	<u>17,233</u>	<u>8,680,403</u>
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
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,196,386</u>	<u>\$ 3,196,386</u>	<u>\$ 32,758,588</u>

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