

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

Combined Financial Statements,
Supplemental Information and
Independent Auditor's Report
June 30, 2021 and 2020

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Kerkering, Barberio & Co.
Certified Public Accountants

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, 2021 and 2020, the related combined statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Guide Dogs, Inc. and Southeastern Guide Dogs, Inc. Endowment Trust as of June 30, 2021 and 2020, 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, we do not express an opinion on the supplemental information referred to above.

KuKuing Barbunio & Co.

Sarasota, Florida
November 22, 2021

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

Combined Statements of Financial Position

June 30, 2021 and 2020

Assets	2021	2020
Cash and cash equivalents:		
Without donor restrictions	\$ 2,386,885	\$ 6,319,861
With donor restrictions - purpose and time	478,149	704,488
With donor restrictions - perpetual in nature	120,705	214,893
Total cash and cash equivalents	<u>2,985,739</u>	<u>7,239,242</u>
Accrued interest receivable	290,126	187,484
Pledges receivable, net (Note 4)	1,563,823	4,108,782
Prepaid expenses and other assets	94,028	144,645
Merchandise inventory	35,265	39,916
Investments (Note 6):		
Restricted for gift annuity liability	71,823	75,823
Without donor restrictions	36,490,336	22,171,198
With donor restrictions - purpose and time	5,001,024	4,694,441
With donor restrictions - perpetual in nature	11,760,659	9,025,732
Total investments	<u>53,323,842</u>	<u>35,967,194</u>
Bequests and estates receivable	135,341	16,591
Charitable trusts receivable	330,023	318,870
Mortgage receivable	94,064	98,066
Property and equipment, net (Note 8)	<u>27,517,803</u>	<u>26,482,677</u>
 Total Assets	 <u>\$ 86,370,054</u>	 <u>\$ 74,603,467</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 961,577	\$ 757,926
Gift annuity liability	71,823	75,823
Note payable (Note 5)	-	1,485,000
Total liabilities	<u>1,033,400</u>	<u>2,318,749</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	24,108,905	14,474,342
Funds for Operating Support	10,345,246	9,358,365
Investment in property and equipment	27,517,803	26,482,677
Total net assets without donor restrictions	<u>61,971,954</u>	<u>50,315,384</u>
With donor restrictions:		
Purpose and time restrictions	11,021,977	10,270,936
Perpetual in nature	12,342,723	11,698,398
Total net assets with donor restrictions (Note 11)	<u>23,364,700</u>	<u>21,969,334</u>
 Total net assets	 <u>85,336,654</u>	 <u>72,284,718</u>
 Total Liabilities and Net Assets	 <u>\$ 86,370,054</u>	 <u>\$ 74,603,467</u>

See accompanying notes to combined financial statements.

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

Combined Statement of Activities

Year Ended June 30, 2021

(With Summarized Totals for 2020)

	Without Donor Restriction	With Donor Restriction	Total	2020 Total
Support and Revenue:				
Individuals	\$ 4,990,942	\$ 2,051,348	\$ 7,042,290	\$ 7,556,594
Bequests	7,178,317	1,797,139	8,975,456	6,804,001
Lions Club	80,514	20,075	100,589	110,109
Service clubs	42,051	78,211	120,262	102,093
CFC project	51,523	9,715	61,238	93,028
Foundations	968,668	1,668,828	2,637,496	3,817,071
Corporate donations	318,853	335,586	654,439	2,021,354
Contributed services and nonfinancial assets (Note 2)	12,118,442	-	12,118,442	4,607,592
Paycheck Protection Program loan forgiveness	1,489,550	-	1,489,550	-
Marketing revenue	33,387	-	33,387	-
Other revenue	93,485	-	93,485	142,731
Merchandise sales, net of cost of sales of \$9,149	22,110	-	22,110	12,494
Special events, net of direct costs of \$368,873	753,825	-	753,825	1,689,761
Gain (loss) on disposal of assets	11,379	-	11,379	(10,000)
Realized gain (loss) on investments, net	859,809	826,763	1,686,572	(236,556)
Unrealized gain on investments, net	994,095	73,569	1,067,664	569,993
Investment income, net of investment expenses	647,421	84,955	732,376	845,875
Total support and revenue	<u>30,654,371</u>	<u>6,946,189</u>	<u>37,600,560</u>	<u>28,126,140</u>
Net assets released from restrictions	5,574,661	(5,574,661)	-	-
Total support, revenue and releases	<u>36,229,032</u>	<u>1,371,528</u>	<u>37,600,560</u>	<u>28,126,140</u>
Functional Expenses:				
Program services	21,431,515	-	21,431,515	13,209,064
Supporting services:				
Management and general	1,046,222	-	1,046,222	1,207,186
Fundraising	2,088,978	-	2,088,978	2,785,610
Total functional expenses	<u>24,566,715</u>	<u>-</u>	<u>24,566,715</u>	<u>17,201,860</u>
Change in net assets before change in value of split interest agreements	<u>11,662,317</u>	<u>1,371,528</u>	<u>13,033,845</u>	<u>10,924,280</u>
Change in value of split interest agreements	<u>(5,747)</u>	<u>23,838</u>	<u>18,091</u>	<u>44,380</u>
Change in net assets	11,656,570	1,395,366	13,051,936	10,968,660
Net assets - beginning of year	50,315,384	21,969,334	72,284,718	61,316,058
Net assets - end of year	<u>\$ 61,971,954</u>	<u>\$ 23,364,700</u>	<u>\$ 85,336,654</u>	<u>\$ 72,284,718</u>

See accompanying notes to combined financial statements.

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

Combined Statement of Activities

Year Ended June 30, 2020

(With Summarized Totals for 2021)

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>2021 Total</u>
Support and Revenue:				
Individuals	\$ 3,997,461	\$ 3,559,133	\$ 7,556,594	\$ 7,042,290
Bequests	3,625,211	3,178,790	6,804,001	8,975,456
Lions Club	101,359	8,750	110,109	100,589
Service clubs	48,143	53,950	102,093	120,262
CFC project	69,859	23,169	93,028	61,238
Foundations	1,860,410	1,956,661	3,817,071	2,637,496
Corporate donations	457,594	1,563,760	2,021,354	654,439
Contributed services and nonfinancial assets (Note 2)	4,607,592	-	4,607,592	12,118,442
Paycheck Protection Program loan forgiveness	-	-	-	1,489,550
Marketing revenue	-	-	-	33,387
Other revenue	142,731	-	142,731	93,485
Merchandise sales, net of cost of sales of \$26,134	12,494	-	12,494	22,110
Special events, net of direct costs of \$512,040	1,689,761	-	1,689,761	753,825
Gain (loss) on disposal of assets	(10,000)	-	(10,000)	11,379
Realized gain (loss) on investments, net	(185,558)	(50,998)	(236,556)	1,686,572
Unrealized gain on investments, net	487,072	82,921	569,993	1,067,664
Investment income, net of investment expenses	507,606	338,269	845,875	732,376
Total support and revenue	<u>17,411,735</u>	<u>10,714,405</u>	<u>28,126,140</u>	<u>37,600,560</u>
Net assets released from restrictions	5,865,887	(5,865,887)	-	-
Total support, revenue and releases	<u>23,277,622</u>	<u>4,848,518</u>	<u>28,126,140</u>	<u>37,600,560</u>
Functional Expenses:				
Program services	13,209,064	-	13,209,064	21,431,515
Supporting services:				
Management and general	1,207,186	-	1,207,186	1,046,222
Fundraising	2,785,610	-	2,785,610	2,088,978
Total functional expenses	<u>17,201,860</u>	<u>-</u>	<u>17,201,860</u>	<u>24,566,715</u>
Change in net assets before change in value of split interest agreements	<u>6,075,762</u>	<u>4,848,518</u>	<u>10,924,280</u>	<u>13,033,845</u>
Change in value of split interest agreements	<u>(13,725)</u>	<u>58,105</u>	<u>44,380</u>	<u>18,091</u>
Change in net assets	6,062,037	4,906,623	10,968,660	13,051,936
Net assets - beginning of year	<u>44,253,347</u>	<u>17,062,711</u>	<u>61,316,058</u>	<u>72,284,718</u>
Net assets - end of year	<u>\$ 50,315,384</u>	<u>\$ 21,969,334</u>	<u>\$ 72,284,718</u>	<u>\$ 85,336,654</u>

See accompanying notes to combined financial statements.

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

Combined Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 13,051,936	\$ 10,968,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,313,535	1,277,466
Realized and unrealized gain on investments, net	(2,754,236)	(333,437)
Change in value of split interest agreements	(18,091)	(44,380)
(Gain) loss on disposal of assets	(11,379)	10,000
Contributions restricted for long-term investments	(6,565)	(1,680,376)
Paycheck Protection Program loan forgiveness	(1,489,550)	-
Change in operating assets:		
Accrued interest receivable	(102,642)	(166,356)
Prepaid expenses and other assets	50,617	(24,981)
Merchandise inventory	4,651	3,353
Pledges receivable, non-capital	1,949,158	2,016,310
Bequests and estates receivable	(118,750)	-
Charitable trusts receivable	15,138	14,996
Change in operating liabilities:		
Accounts payable and accrued expenses	208,201	204,536
Gift annuity liability	(12,200)	(12,200)
Total adjustments	<u>(972,113)</u>	<u>1,264,931</u>
Net cash provided by operating activities	<u>12,079,823</u>	<u>12,233,591</u>
Cash Flows from Investing Activities:		
Payments received on mortgage receivable	4,002	3,599
Purchase of property and equipment	(2,348,661)	(2,878,260)
Proceeds from disposals of assets	11,379	315,000
Purchases of investments	(51,210,432)	(29,808,211)
Proceeds from sales of investments	36,608,020	14,230,293
Net cash used in investing activities	<u>(16,935,692)</u>	<u>(18,137,579)</u>
Cash Flows from Financing Activities:		
Contributions, net of change in pledges, restricted for long-term investments	602,366	745,807
Proceeds from note payable	-	1,485,000
Net cash provided by financing activities	<u>602,366</u>	<u>2,230,807</u>
Change in cash and cash equivalents	(4,253,503)	(3,673,181)
Cash and cash equivalents - beginning of year	7,239,242	10,912,423
Cash and cash equivalents - end of year	<u>\$ 2,985,739</u>	<u>\$ 7,239,242</u>

See accompanying notes to combined financial statements.

**Southeastern Guide Dogs, Inc. and
Southeastern Guide Dogs, Inc. Endowment Trust**
Combined Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Totals for 2020)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2020 Total</u>
Salaries	\$ 5,411,432	\$ 478,436	\$ 1,114,056	\$ 7,003,924	\$ 6,864,242
Employee benefits	501,234	44,315	103,189	648,738	653,721
Payroll taxes	442,893	33,171	77,241	553,305	466,267
Total personnel expense	<u>6,355,559</u>	<u>555,922</u>	<u>1,294,486</u>	<u>8,205,967</u>	<u>7,984,230</u>
Advertising and promotions	348,056	6,383	450	354,889	735,594
In-kind advertising and promotions	11,219,070	-	590,477	11,809,547	4,306,655
Breeding cost, kennel supplies and veterinary services	757,894	-	-	757,894	778,385
General insurance	197,531	19,159	45,847	262,537	178,940
Maintenance and equipment	474,813	21,208	19,592	515,613	544,114
Occupancy	164,211	21,462	15,975	201,648	230,975
Office	82,026	23,723	10,140	115,889	91,141
Other	133,152	44,835	41,881	219,868	149,680
Printing	106,692	7,417	24,438	138,547	94,662
Professional fees and contracted services	250,405	74,975	31,950	357,330	410,295
Student meals and other	32,456	-	-	32,456	29,017
Supplies	89,024	5,462	5,178	99,664	108,731
Telephone	31,262	3,919	6,690	41,871	38,154
Travel	137,514	72	1,874	139,460	243,821
Total functional expenses before depreciation	<u>20,379,665</u>	<u>784,537</u>	<u>2,088,978</u>	<u>23,253,180</u>	<u>15,924,394</u>
Depreciation	<u>1,051,850</u>	<u>261,685</u>	<u>-</u>	<u>1,313,535</u>	<u>1,277,466</u>
Total functional expenses - 2021	<u>\$ 21,431,515</u>	<u>\$ 1,046,222</u>	<u>\$ 2,088,978</u>	<u>\$ 24,566,715</u>	<u>\$ 17,201,860</u>
Percent of Total - 2021	87.24%	4.26%	8.50%	100.00%	100.00%
Total functional expenses - 2020	<u>\$ 13,209,064</u>	<u>\$ 1,207,186</u>	<u>\$ 2,785,610</u>	<u>\$ 17,201,860</u>	
Percent of Total - 2020	76.79%	7.02%	16.19%	100.00%	

See accompanying notes to combined financial statements.

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

Combined Statement of Functional Expenses

Year Ended June 30, 2020

(With Summarized Totals for 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2021 Total</u>
Salaries	\$ 5,285,250	\$ 461,318	\$ 1,117,674	\$ 6,864,242	\$ 7,003,924
Employee benefits	503,344	43,934	106,443	653,721	648,738
Payroll taxes	359,034	31,329	75,904	466,267	553,305
Total personnel expense	<u>6,147,628</u>	<u>536,581</u>	<u>1,300,021</u>	<u>7,984,230</u>	<u>8,205,967</u>
Advertising and promotions	729,451	5,615	528	735,594	354,889
In-kind advertising and promotions	3,057,725	43,067	1,205,863	4,306,655	11,809,547
Breeding cost, kennel supplies and veterinary services	778,385	-	-	778,385	757,894
General insurance	133,282	12,999	32,659	178,940	262,537
Maintenance and equipment	483,507	31,073	29,534	544,114	515,613
Occupancy	186,589	25,634	18,752	230,975	201,648
Office	60,531	20,828	9,782	91,141	115,889
Other	78,929	42,396	28,355	149,680	219,868
Printing	64,413	5,663	24,586	94,662	138,547
Professional fees and contracted services	115,891	213,945	80,459	410,295	357,330
Student meals and other	28,900	-	117	29,017	32,456
Supplies	86,672	6,854	15,205	108,731	99,664
Telephone	28,342	3,568	6,244	38,154	41,871
Travel	205,824	4,492	33,505	243,821	139,460
Total functional expenses before depreciation	<u>12,186,069</u>	<u>952,715</u>	<u>2,785,610</u>	<u>15,924,394</u>	<u>23,253,180</u>
Depreciation	<u>1,022,995</u>	<u>254,471</u>	<u>-</u>	<u>1,277,466</u>	<u>1,313,535</u>
Total functional expenses - 2020	<u>\$ 13,209,064</u>	<u>\$ 1,207,186</u>	<u>\$ 2,785,610</u>	<u>\$ 17,201,860</u>	<u>\$ 24,566,715</u>
Percent of Total - 2020	76.79%	7.02%	16.19%	100.00%	100.00%
Total functional expenses - 2021	<u>\$ 21,431,515</u>	<u>\$ 1,046,222</u>	<u>\$ 2,088,978</u>	<u>\$ 24,566,715</u>	
Percent of Total - 2021	87.24%	4.26%	8.50%	100.00%	

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements
June 30, 2021 and 2020

I. Organization

Southeastern Guide Dogs (the School) transforms lives by creating and nurturing extraordinary partnerships between people and dogs. The School operates one of the most advanced training facilities of any service dog organization in the world. The School's experts create and train working dogs - including guide dogs, service dogs, and skilled companion dogs - and provide life-changing services for people with vision loss, veterans with disabilities, and children with significant challenges such as vision loss or the loss of a parent in the military. Pursuing its mission since 1982, Southeastern Guide Dogs now has over 1,200 dogs under its auspices.

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

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

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

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

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

2. Summary of Significant Accounting Policies

Principles of Combination

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

Financial Statements

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

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Use of Estimates and Assumptions

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

Basis of Presentation

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

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

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other net assets are perpetual in nature. These net assets are subject to donor-imposed stipulations that the net assets be maintained in perpetuity by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Revenue Recognition

All contributions and bequests are considered available without donor restrictions unless specifically restricted by the respective donor or bequestor.

Contributions and bequests received with donor or bequestor stipulations that limit the use of donated assets are treated as net assets with donor restrictions. When the purpose of the restriction is accomplished, these net assets are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

Contributions and bequests restricted for the purpose of acquiring or constructing long-lived assets are recorded as net assets with donor restrictions until the long-lived asset is acquired or constructed, at which time the net assets are released from the restriction and reclassified to net assets without donor restrictions.

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

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization does not have any conditional promises to give.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

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's 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, 2018 through June 30, 2021.

Cash and Cash Equivalents

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

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Merchandise Inventory

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

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

2. 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. Investment income, net of investment expenses, and realized and unrealized gains and losses are included in the combined statements of activities. Investment income, net of investment expenses, and gains and losses restricted by a donor are reported as increases and decreases in net assets with donor restrictions as required by the Trust Indenture governing contributions to the School which are restricted in perpetuity. Investment income, net of investment expenses, is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period they occur. Investments are comprised of equities, fixed income bonds, real estate investment trusts (REITS) and commodities.

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 eight-tenths percent (5.8%) to seven and four-tenths percent (7.4%) of the fair value of the trusts' investments, to be received by the designated beneficiaries over the term of the trusts.

Bequests and Estates Receivable

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

Property and Equipment

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

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When assets are impaired, asset values are reduced for this impairment. There was no impairment recognized on property and equipment for the years ended June 30, 2021 and 2020.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in the combined statements of activities and in the combined statements of functional expenses. Costs are allocated between fundraising, management, and general or program services based on evaluations of the related benefits. Management and general expenses include expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include salaries, employee benefits, payroll taxes, and other expenses for services which are allocated on the basis of estimated time and effort and depreciation which is allocated based on estimated square footage of space used.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Financial Instruments Not Measured at Fair Value

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

Advertising and Promotions

Advertising costs are expensed as incurred. For the years ended June 30, 2021 and 2020, "advertising expense" includes \$11,809,547 and \$4,306,655 **of contributed services** which consist of advertising and promotional services for special events and program support. Total advertising expense was \$12,164,436 and \$5,042,249 for the years ended June 30, 2021 and 2020, respectively.

Contributed Services and Nonfinancial Assets

Contributed services and nonfinancial assets reported in the accompanying combined financial statements are primarily comprised of advertising and promotional services for program support and special events. Contributed services and nonfinancial assets for the years ended June 30, 2021 and 2020 totaled \$12,118,442 and \$4,607,592, respectively.

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

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

Reclassification

To facilitate comparison of financial data, certain amounts in the 2020 combined financial statements have been reclassified to conform to the 2021 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

3. Liquidity and Availability

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

	2021	2020
Cash and cash equivalents without donor restrictions	\$ 2,386,885	\$ 6,319,861
Pledges receivable, net - current portion	507,243	2,670,339
Investments without donor restrictions	36,490,336	22,171,198
Total financial assets available within one year	39,384,464	31,161,398
Less: Amounts unavailable for general expenditure due to:		
Pledges receivable, net, restricted for purpose and time	(20,862)	(59,670)
Pledges receivable, net, restricted for perpetuity	(486,381)	(2,431,907)
Total unavailable for general expenditure	(507,243)	(2,491,577)
Less: Amounts unavailable to management without Board approval:		
Funds for Operating Support	(10,345,246)	(9,358,365)
Total financial assets available to management for general expenditure within one year	\$ 28,531,975	\$ 19,311,456

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

The Organization also has funds available of up to \$5,000,000 on the unused line of credit. See note 9 for more information.

It is the policy of the Organization's Board of Directors to periodically designate appropriate sums to ensure adequate financing of future projects and contingencies. As of June 30, 2021 and 2020, \$10,345,246 and \$9,358,365, respectively, has been designated by the Board as Funds for Operating Support. The Board may vote to make these funds available for other use at their discretion.

4. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2021	2020
Pledges receivable	\$ 1,604,317	\$ 4,360,910
Less: discount to net present value (rates from 2.0% - 6.6%)	(40,494)	(252,128)
Less: allowance for uncollectible pledges	-	-
Pledges receivable, net	1,563,823	4,108,782
Less: current portion	(507,243)	(2,670,339)
Amount collectible in 1-5 years	\$ 1,056,580	\$ 1,438,443

Pledges receivable are discounted to net present value at the time of pledge recognition using reasonable rates that align with the term of each pledge.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

5. Note Payable

Paycheck Protection Program Loan

On April 29, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act for an aggregate principal amount of \$1,485,000 (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of payments deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. During the year ended June 30, 2021, the Organization applied for and received notice that the SBA has forgiven the entire balance of the PPP Loan with respect to these covered expenses. The Organization has recorded \$1,489,550 as Paycheck Protection Program loan forgiveness in the combined statement of activities for the year ended June 30, 2021. The amount forgiven includes principal and accrued interest. The outstanding balance of the PPP Loan was \$1,485,000 as of June 30, 2020.

6. 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, 2021:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gains (Losses)</u>
Equities	\$ 4,739,592	\$ 5,719,415	\$ 979,823
Fixed income	45,830,055	46,816,188	986,133
REITS	393,027	429,934	36,907
Commodities	399,595	358,305	(41,290)
Total investments	<u>\$ 51,362,269</u>	<u>\$ 53,323,842</u>	<u>\$ 1,961,573</u>

For the year ended June 30, 2021, the Organization had realized and unrealized gains on investments of \$1,686,572 and \$1,067,664 respectively, and incurred investment broker fees of \$259,656, which are presented net against investment income on the combined statement of activities.

Following is a summary of investments at June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gains (Losses)</u>
Equities	\$ 5,753,847	\$ 6,023,010	\$ 269,163
Fixed income	28,319,553	29,020,594	701,041
REITS	600,585	604,789	4,204
Commodities	399,300	318,801	(80,499)
Total investments	<u>\$ 35,073,285</u>	<u>\$ 35,967,194</u>	<u>\$ 893,909</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

6. Investments (Continued)

For the year ended June 30, 2020, the Organization had realized losses and unrealized gains on investments of \$236,566 and \$569,993 respectively, and incurred investment broker fees of \$186,835, which are presented net against investment income on the combined statement of activities.

7. 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, 2021 and 2020.

The following tables present information about the Organization's classes of assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

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

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

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

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level of a financial instrument within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following methods and assumptions were used by the Organization in estimating the fair value of its Level 2 and 3 financial instruments:

Fixed Income - The fair value is determined using a market approach which uses direct and indirect observable information including quoted prices for similar assets and interest rate information (Level 2).

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

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

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

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

The following table presents information about the Organization's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2021 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

Description	Total	Level 1	Level 2	Level 3
Equities:				
U.S. large cap	\$ 1,857,793	\$ 1,857,793	\$ -	\$ -
U.S. mid cap	1,319,338	1,319,338	-	-
U.S. small cap	244,892	244,892	-	-
Developed markets	2,023,479	2,023,479	-	-
Emerging markets	119,194	119,194	-	-
International	154,719	154,719	-	-
Total equities	<u>5,719,415</u>	<u>5,719,415</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Asset backed securities	180,423	-	180,423	-
Investment grade taxable	13,664,667	-	13,664,667	-
Government securities	3,715,760	-	3,715,760	-
Developed markets	1,491,537	-	1,491,537	-
Municipal bonds	24,148,845	-	24,148,845	-
High yield	3,603,406	-	3,603,406	-
International	11,550	-	11,550	-
Total fixed income	<u>46,816,188</u>	<u>-</u>	<u>46,816,188</u>	<u>-</u>
REITS	429,934	429,934	-	-
Commodities	358,305	358,305	-	-
Total investments	<u>53,323,842</u>	<u>6,507,654</u>	<u>46,816,188</u>	<u>-</u>
Charitable trusts receivable	330,023	-	330,023	-
Total assets at fair value	<u>\$ 53,653,865</u>	<u>\$ 6,507,654</u>	<u>\$ 47,146,211</u>	<u>\$ -</u>
Gift annuity liability	<u>\$ 71,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,823</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2021:

Beginning balance	\$ 75,823
Change in value of split interest agreements	8,200
Annuity payments	(12,200)
Ending balance	<u>\$ 71,823</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

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

The following table presents information about the Organization's assets and liabilities measured at fair value on a recurring and non-recurring basis as of June 30, 2020 and indicates the fair value hierarchy of the valuation techniques used to determine fair value.

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities:				
U.S. large cap	\$ 2,737,204	\$ 2,737,204	\$ -	\$ -
U.S. mid cap	708,106	708,106	-	-
U.S. small cap	219,048	219,048	-	-
Convertible securities	214,103	214,103	-	-
Developed markets	1,902,433	1,902,433	-	-
Emerging markets	190,206	190,206	-	-
International	51,910	51,910	-	-
Total equities	<u>6,023,010</u>	<u>6,023,010</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Asset backed securities	645,909	-	645,909	-
Investment grade taxable	7,493,591	-	7,493,591	-
Government securities	2,675,657	-	2,675,657	-
Developed markets	339,907	-	339,907	-
Municipal bonds	15,491,977	-	15,491,977	-
High yield	2,357,430	-	2,357,430	-
PACE investments	8,100	-	8,100	-
Preferred securities	8,023	-	8,023	-
Total fixed income	<u>29,020,594</u>	<u>-</u>	<u>29,020,594</u>	<u>-</u>
REITS	604,789	604,789	-	-
Commodities	318,801	318,801	-	-
Total investments	<u>35,967,194</u>	<u>6,946,600</u>	<u>29,020,594</u>	<u>-</u>
Charitable trusts receivable	318,870	-	318,870	-
Total assets at fair value	<u>\$ 36,286,064</u>	<u>\$ 6,946,600</u>	<u>\$ 29,339,464</u>	<u>\$ -</u>
Gift annuity liability	<u>\$ 75,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,823</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2020:

	Gift Annuity Liability
Beginning balance	\$ 74,021
Change in value of split interest agreements	14,002
Annuity payments	(12,200)
Ending balance	<u>\$ 75,823</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2021	2020
Land	\$ 408,651	\$ 408,651
Buildings	29,453,276	24,734,409
Furniture and equipment	2,866,505	2,707,753
Transportation equipment	1,308,240	1,374,846
Freedom Walk	724,646	724,646
Construction in progress	179,578	2,715,845
	34,940,896	32,666,150
Less accumulated depreciation	7,423,093	6,183,473
Property and equipment, net	\$ 27,517,803	\$ 26,482,677

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$1,313,535 and \$1,277,466, respectively.

9. Credit Line Agreement

On May 31, 2017, Southeastern Guide Dogs, Inc. entered into a credit line agreement with a financial institution. The line of credit has no set maturity date and is secured by the investments held at the financial institution. The maximum available credit is based, in part, on the value of the securities pledged as collateral for the credit line. As of June 30, 2021, the maximum principal amount available for borrowings was approximately \$5,000,000. The line of credit bears interest at a variable interest rate equal to the 30 day LIBOR plus a specified percentage spread, ranging between two percent (2.0%) and five and one half percent (5.5%), depending on the aggregate approved amount. There were no borrowings on the credit line for the years ended June 30, 2021 and 2020.

10. Retirement and Deferred Compensation Plan

Retirement Plan

The School provides a tax deferred annuity retirement plan for full-time eligible employees. The School's contributions to the plan were \$116,270 and \$109,339 for the years ended June 30, 2021 and 2020, respectively.

Deferred Compensation Plan

During 2015, the Organization adopted a Deferred Compensation Agreement for the CEO under Internal Revenue Code 457(f). The Organization maintains a bookkeeping account for the assets held in reserve under the deferred compensation plan. The bookkeeping account consists of book entries only, and does not constitute a separate cash fund or other assets held in trust for or as security for the Organization's obligation to pay the amount of the account. The deferred compensation plan totaled \$258,633 and \$248,733 as of June 30, 2021 and 2020, respectively, and is included in cash and accrued expenses together with an amount representing investment earnings on the unpaid balance. The employee will have no rights nor will be paid until five years following each contribution date, provided the employee has been employed by the Organization continuously until that time. During the years ended June 30, 2021 and 2020, the Organization contributed \$57,214 and \$54,490, respectively. During the years ended June 30, 2021 and 2020, the Organization made distributions from plan assets in the amounts of \$46,731 and \$81,467, respectively.

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

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

II. Net Asset Classifications

The Organization's net assets have been classified into the following categories as of June 30, 2021 and 2020:

Board Designation of Net Assets without Donor Restrictions

It is the policy of the Organization's Board of Directors to periodically designate appropriate sums to assure adequate financing of future projects and contingencies. As of June 30, 2021 and 2020, \$10,345,246 and \$9,358,365 has been designated by the board for operating support, respectively.

Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Guide Dog Instruction	\$ 3,020,526	\$ 2,726,989
Veterans Program	4,683,808	2,942,661
Student Services Center	503,375	504,744
Student Fitness Center	-	35,264
Canine Fitness Center	-	1,455,884
Alumni Support Program	972,598	1,069,604
Sustainability Fund	1,111,660	1,000,000
Student Bus and Metris Vans	3,384	5,663
Conditioning Equipment	-	8,005
Microsoft 365 Project	25,883	-
Puppy Park Renovation	175,400	-
Nursery Renovation	13,000	-
Children & Teens Program	-	42,355
Marketing	137,594	125,000
Other	44,726	35,897
Total purpose restrictions	<u>10,691,954</u>	<u>9,952,066</u>
Subject to the passage of time		
Charitable Remainder Trusts	<u>330,023</u>	<u>318,870</u>
Total time restrictions	<u>330,023</u>	<u>318,870</u>
 Total purpose and time restrictions	 <u>11,021,977</u>	 <u>10,270,936</u>
 Perpetual in nature		
Charitable gift annuities	62,559	69,406
Pledges receivable	486,382	2,431,906
Endowments	<u>11,793,782</u>	<u>9,197,086</u>
Total perpetual in nature restrictions	<u>12,342,723</u>	<u>11,698,398</u>
 Total net assets with donor restrictions	 <u>\$ 23,364,700</u>	 <u>\$ 21,969,334</u>

The primary purpose of the net assets held in perpetuity is to support the programs and services of the Organization and certain components of income are earmarked for purposes without restrictions.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

12. Net Assets Released from Restrictions

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

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions – Charitable Remainder Trusts	\$ 15,138	\$ 14,996
Satisfaction of purpose restrictions		
Guide Dog Instruction	75,042	101,300
Veterans Program	686,079	534,984
Veterans Program - Veterans Service	2,073,542	1,736,328
Equipment	35,705	-
Student Services Center	1,370	7,390
Microsoft 365	34,117	-
Student Fitness Center	35,264	1,305,529
Alumni Support Program	187,007	32,781
Canine Fitness Center	1,462,449	295,392
Student Bus and Metris Vans	2,280	117,286
Upgraded Servers	-	84,028
New Parking Lot	-	367,134
Vet Clinic Remodel	-	233,555
Children & Teens Program	121,325	534,795
Marketing	685,553	250,000
Other	159,790	250,389
Total net assets released from restrictions	\$ <u>5,574,661</u>	\$ <u>5,865,887</u>

13. Endowment

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

Interpretations of Relevant Law

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

The Trust Indenture further limits the use of unrealized or realized gains associated with endowment assets. Under the terms of the Trust Agreement, the Trust classifies dividends and interest, net of associated fees, as net assets without restriction available for use on a periodic basis.

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

13. Endowment (Continued)

Interpretations of Relevant Law (Continued)

Effective July 1, 2012, the Organization adopted Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The adoption of FUPMIFA resulted in no changes to net assets with donor restrictions that are perpetual in nature as the Trust Indenture remains the primary guidance on how to administer and account for endowment assets. There were no changes to the Trust Indenture during the years ended June 30, 2021 and 2020.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level classified as net assets with donor restrictions that are perpetual in nature. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions of net assets with donor restrictions that are perpetual in nature and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no deficiencies of this nature reported in net assets without donor restrictions as of June 30, 2021 and 2020.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	With Donor Restrictions
Endowment net assets, July 1, 2020	\$ 9,266,492
Endowment investment return:	
Interest and dividends	(22,487)
Realized and unrealized gain, net	503,266
Total endowment investment return	480,779
Contributions	2,111,523
Change in value of split-interest agreements	(2,453)
Total endowment activity	2,109,070
Endowment net assets, June 30, 2021	\$ 11,856,341

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions
Endowment net assets, July 1, 2019	\$ 5,328,596
Endowment investment return:	
Interest and dividends	237,862
Realized and unrealized gain, net	34,284
Total endowment investment return	272,146
Contributions	3,666,028
Change in value of split-interest agreements	(278)
Total endowment activity	3,937,896
Endowment net assets, June 30, 2020	\$ 9,266,492

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

13. Endowment (Continued)

Changes in Endowment Net Assets

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are shown on the combining schedule of activities on pages 25 and 27 as part of the supplemental information to these combined financial statements.

Return Objectives and Risk Parameters

The Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Trust must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a long-term rate of return on assets of at least 6% while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with The Southeastern Guide Dogs, Inc. Endowment Trust Indenture and section 501(c)(3) of the Internal Revenue Code, net income earned by the Endowment Trust, after paying for necessary charges incurred by the funds, is paid to Southeastern Guide Dogs, Inc. and is subject to withdrawal and use in accordance with resolutions adopted by the Board of Directors of Southeastern Guide Dogs, Inc. The spending policy established for the years ended June 30, 2021 and 2020 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.

14. Lease Commitments

The Organization leases equipment under operating lease agreements expiring at various times through 2025.

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

2022	\$	5,685
2023		4,617
2024		4,617
2025		2,693
Total	\$	<u>17,612</u>

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

Notes to Combined Financial Statements (Continued)

June 30, 2021 and 2020

15. Financial Instruments with Credit Risk and Economic Risk

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

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

16. Contingencies

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

17. Related Party Transactions

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

18. Subsequent Events

Management has evaluated all events subsequent to the combined statement of financial position date of June 30, 2021, through the date these combined financial statements were available for issuance, November 22, 2021, 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, 2021

	Southeastern Guide Dogs, Inc.	Southeastern Guide Dogs, Inc. Endowment Trust
Assets		
Cash and cash equivalents:		
Without donor restrictions	\$ 2,386,885	\$ -
With donor restrictions - purpose and time	478,149	-
With donor restrictions - perpetual in nature	49,870	70,835
Total cash and cash equivalents	2,914,904	70,835
Accrued interest receivable	275,977	14,149
Pledges receivable, net (Note 4)	1,563,823	-
Prepaid expenses and other assets	94,028	-
Merchandise inventory	35,265	-
Investments (Note 6):		
Restricted for gift annuity liability	32,989	38,834
Without donor restrictions	36,490,336	-
With donor restrictions - purpose and time	5,001,024	-
With donor restrictions - perpetual in nature	6,259,945	5,500,714
Total investments	47,784,294	5,539,548
Bequests and estates receivable	135,341	-
Charitable trusts receivable	330,023	-
Mortgage receivable	94,064	-
Property and equipment, net (Note 8)	27,517,803	-
Due from Southeastern Guide Dogs Endowment Trust, Inc.	16,433	-
Total Assets	\$ 80,761,955	\$ 5,624,532
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 961,577	\$ -
Gift annuity liability	32,989	38,834
Note payable (Note 5)	-	-
Due to Southeastern Guide Dogs, Inc.	-	16,433
Total liabilities	994,566	55,267
Net Assets:		
Without donor restrictions:		
Undesignated	24,108,905	-
Funds for Operating Support	10,345,246	-
Investment in property and equipment	27,517,803	-
Total net assets without donor restrictions	61,971,954	-
With donor restrictions:		
Purpose and time restrictions	11,021,977	-
Perpetual in nature	6,773,458	5,569,265
Total net assets with donor restrictions (Note 11)	17,795,435	5,569,265
Total net assets	79,767,389	5,569,265
Total Liabilities and Net Assets	\$ 80,761,955	\$ 5,624,532

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 2,386,885
-	478,149
-	120,705
<u>-</u>	<u>2,985,739</u>
-	290,126
-	1,563,823
-	94,028
-	35,265
-	71,823
-	36,490,336
-	5,001,024
<u>-</u>	<u>11,760,659</u>
<u>-</u>	<u>53,323,842</u>
-	135,341
-	330,023
-	94,064
-	27,517,803
<u>(16,433)</u>	<u>-</u>
<u>\$ (16,433)</u>	<u>\$ 86,370,054</u>
\$ -	\$ 961,577
-	71,823
-	-
<u>(16,433)</u>	<u>-</u>
<u>(16,433)</u>	<u>1,033,400</u>
-	24,108,905
-	10,345,246
-	27,517,803
<u>-</u>	<u>61,971,954</u>
-	11,021,977
<u>-</u>	<u>12,342,723</u>
<u>-</u>	<u>23,364,700</u>
-	85,336,654
<u>\$ (16,433)</u>	<u>\$ 86,370,054</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, 2021

	Southeastern Guide Dogs, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Individuals	\$ 4,990,942	\$ 2,050,848	\$ 7,041,790
Bequests	7,178,317	1,687,139	8,865,456
Lions Club	80,514	20,075	100,589
Service clubs	42,051	78,211	120,262
CFC project	51,523	8,750	60,273
Foundations	968,668	1,668,828	2,637,496
Corporate donations	318,853	335,528	654,381
Contributed services and nonfinancial assets (Note 2)	12,118,442	-	12,118,442
Paycheck Protection Program loan forgiveness	1,489,550	-	1,489,550
Marketing revenue	33,387	-	33,387
Other revenue	93,485	-	93,485
Merchandise sales, net of cost of sales of \$9,149	22,110	-	22,110
Special events, net of direct costs of \$368,873	753,825	-	753,825
Gain on disposal of assets	11,379	-	11,379
Realized gain on investments, net	859,809	354,267	1,214,076
Unrealized gain on investments, net	994,095	54,793	1,048,888
Investment income (loss), net of investment expenses	554,536	89,736	644,272
Total support and revenue	<u>30,561,486</u>	<u>6,348,175</u>	<u>36,909,661</u>
Net asset released from restrictions	5,574,661	(5,574,661)	-
Total support, revenue and releases	<u>36,136,147</u>	<u>773,514</u>	<u>36,909,661</u>
Functional Expenses:			
Program services	21,431,515	-	21,431,515
Supporting services:	-	-	-
Management and general	1,046,222	-	1,046,222
Fundraising	2,088,978	-	2,088,978
Total functional expenses	<u>24,566,715</u>	<u>-</u>	<u>24,566,715</u>
Change in net assets before change in value of split interest agreements	<u>11,569,432</u>	<u>773,514</u>	<u>12,342,946</u>
Change in value of split interest agreements	<u>(5,747)</u>	<u>26,291</u>	<u>20,544</u>
Change in net assets	11,563,685	799,805	12,363,490
Transfers in (out)	92,885	-	92,885
Net assets - beginning of year	<u>50,315,384</u>	<u>16,995,631</u>	<u>67,311,015</u>
Net assets - end of year	<u>\$ 61,971,954</u>	<u>\$ 17,795,436</u>	<u>\$ 79,767,390</u>

Southeastern Guide Dogs, Inc. Endowment Trust

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Combined Total</u>
\$ -	\$ 500	\$ 500	\$ 7,042,290
-	110,000	110,000	8,975,456
-	-	-	100,589
-	-	-	120,262
-	965	965	61,238
-	-	-	2,637,496
-	58	58	654,439
-	-	-	12,118,442
-	-	-	1,489,550
-	-	-	33,387
-	-	-	93,485
-	-	-	22,110
-	-	-	753,825
-	-	-	11,379
-	472,496	472,496	1,686,572
-	18,776	18,776	1,067,664
92,885	(4,781)	88,104	732,376
<u>92,885</u>	<u>598,014</u>	<u>690,899</u>	<u>37,600,560</u>
-	-	-	-
<u>92,885</u>	<u>598,014</u>	<u>690,899</u>	<u>37,600,560</u>
-	-	-	21,431,515
-	-	-	1,046,222
-	-	-	2,088,978
<u>-</u>	<u>-</u>	<u>-</u>	<u>24,566,715</u>
<u>92,885</u>	<u>598,014</u>	<u>690,899</u>	<u>13,033,845</u>
<u>-</u>	<u>(2,453)</u>	<u>(2,453)</u>	<u>18,091</u>
92,885	595,561	688,446	13,051,936
(92,885)	-	(92,885)	-
<u>-</u>	<u>4,973,703</u>	<u>4,973,703</u>	<u>72,284,718</u>
<u>\$ -</u>	<u>\$ 5,569,264</u>	<u>\$ 5,569,264</u>	<u>\$ 85,336,654</u>

See Independent Auditor's Report.

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

Combining Schedule of Financial Position

June 30, 2020

	Southeastern Guide Dogs, Inc.	Southeastern Guide Dogs, Inc. Endowment Trust
Assets		
Cash and cash equivalents:		
Without donor restrictions	\$ 6,319,861	\$ -
With donor restrictions - purpose and time	704,488	-
With donor restrictions - perpetual in nature	98,520	116,373
Total cash and cash equivalents	<u>7,122,869</u>	<u>116,373</u>
Accrued interest receivable	174,992	12,492
Pledges receivable, net (Note 4)	4,108,782	-
Prepaid expenses and other assets	144,645	-
Merchandise inventory	39,916	-
Investments (Note 6):		
Restricted for gift annuity liability	34,536	41,287
Without donor restrictions	22,171,198	-
With donor restrictions - purpose and time	4,694,441	-
With donor restrictions - perpetual in nature	4,160,777	4,864,955
Total investments	<u>31,060,952</u>	<u>4,906,242</u>
Bequests and estates receivable	16,591	-
Charitable trusts receivable	318,870	-
Mortgage receivable	98,066	-
Property and equipment, net (Note 8)	26,482,677	-
Due from Southeastern Guide Dogs Endowment Trust, Inc.	<u>20,117</u>	<u>-</u>
 Total Assets	 <u>\$ 69,588,477</u>	 <u>\$ 5,035,107</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 757,926	\$ -
Gift annuity liability	34,536	41,287
Note payable (Note 5)	1,485,000	-
Due to Southeastern Guide Dogs, Inc.	-	20,117
Total liabilities	<u>2,277,462</u>	<u>61,404</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	14,474,342	-
Funds for Operating Support	9,358,365	-
Investment in property and equipment	26,482,677	-
Total net assets without donor restrictions	<u>50,315,384</u>	<u>-</u>
With donor restrictions:		
Purpose and time restrictions	10,270,936	-
Perpetual in nature	6,724,695	4,973,703
Total net assets with donor restrictions (Note 12)	<u>16,995,631</u>	<u>4,973,703</u>
 Total net assets	 <u>67,311,015</u>	 <u>4,973,703</u>
 Total Liabilities and Net Assets	 <u>\$ 69,588,477</u>	 <u>\$ 5,035,107</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 6,319,861
-	704,488
-	214,893
<u>-</u>	<u>7,239,242</u>
-	187,484
-	4,108,782
-	144,645
-	39,916
-	75,823
-	22,171,198
-	4,694,441
-	9,025,732
<u>-</u>	<u>35,967,194</u>
-	16,591
-	318,870
-	98,066
-	26,482,677
<u>(20,117)</u>	<u>-</u>
\$ <u><u>(20,117)</u></u>	\$ <u><u>74,603,467</u></u>
\$ -	\$ 757,926
-	75,823
-	1,485,000
<u>(20,117)</u>	<u>-</u>
<u>(20,117)</u>	<u>2,318,749</u>
-	14,474,342
-	9,358,365
-	26,482,677
<u>-</u>	<u>50,315,384</u>
-	10,270,936
-	11,698,398
-	21,969,334
<u>-</u>	<u>72,284,718</u>
\$ <u><u>(20,117)</u></u>	\$ <u><u>74,603,467</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, 2020

	Southeastern Guide Dogs, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Individuals	\$ 3,997,461	\$ 3,549,633	\$ 7,547,094
Bequests	3,625,211	3,178,790	6,804,001
Lions Club	101,359	8,750	110,109
Service clubs	48,143	53,950	102,093
CFC project	69,859	21,937	91,796
Foundations	1,860,410	1,956,661	3,817,071
Corporate donations	457,594	1,560,260	2,017,854
Contributed services and nonfinancial assets (Note 2)	4,607,592	-	4,607,592
Other revenue	142,731	-	142,731
Merchandise sales, net of cost of sales of \$26,134	12,494	-	12,494
Special events, net of direct costs of \$512,040	1,689,761	-	1,689,761
Loss on disposal of assets	(10,000)	-	(10,000)
Realized gain (loss) on investments, net	(185,558)	(13,936)	(199,494)
Unrealized gain on investments, net	487,072	89,819	576,891
Investment income, net of investment expenses	353,414	155,169	508,583
Total support and revenue	<u>17,257,543</u>	<u>10,561,033</u>	<u>27,818,576</u>
Net asset released from restrictions	<u>5,865,887</u>	<u>(5,865,887)</u>	<u>-</u>
Total support, revenue and releases	<u>23,123,430</u>	<u>4,695,146</u>	<u>27,818,576</u>
Functional Expenses			
Program services	13,209,064	-	13,209,064
Supporting services:			
Management and general	1,207,186	-	1,207,186
Fundraising	2,785,610	-	2,785,610
Total functional expenses	<u>17,201,860</u>	<u>-</u>	<u>17,201,860</u>
Change in net assets before change in value of split interest agreements	<u>5,921,570</u>	<u>4,695,146</u>	<u>10,616,716</u>
Change in value of split interest agreements	<u>(13,725)</u>	<u>58,383</u>	<u>44,658</u>
Change in net assets	5,907,845	4,753,529	10,661,374
Transfers in (out)	154,192	-	154,192
Net assets - beginning of year	<u>44,253,347</u>	<u>12,242,102</u>	<u>56,495,449</u>
Net assets - end of year	<u>\$ 50,315,384</u>	<u>\$ 16,995,631</u>	<u>\$ 67,311,015</u>

Southeastern Guide Dogs, Inc. Endowment Trust

	Without Donor Restrictions	With Donor Restrictions	Total	Combined Total
\$	-	\$ 9,500	\$ 9,500	\$ 7,556,594
	-	-	-	6,804,001
	-	-	-	110,109
	-	-	-	102,093
	-	1,232	1,232	93,028
	-	-	-	3,817,071
	-	3,500	3,500	2,021,354
	-	-	-	4,607,592
	-	-	-	142,731
	-	-	-	12,494
	-	-	-	1,689,761
	-	-	-	(10,000)
	-	(37,062)	(37,062)	(236,556)
	-	(6,898)	(6,898)	569,993
	154,192	183,100	337,292	845,875
	<u>154,192</u>	<u>153,372</u>	<u>307,564</u>	<u>28,126,140</u>
	-	-	-	-
	<u>154,192</u>	<u>153,372</u>	<u>307,564</u>	<u>28,126,140</u>
	-	-	-	13,209,064
	-	-	-	1,207,186
	-	-	-	2,785,610
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,201,860</u>
	<u>154,192</u>	<u>153,372</u>	<u>307,564</u>	<u>10,924,280</u>
	<u>-</u>	<u>(278)</u>	<u>(278)</u>	<u>44,380</u>
	154,192	153,094	307,286	10,968,660
	(154,192)	-	(154,192)	-
	<u>-</u>	<u>4,820,609</u>	<u>4,820,609</u>	<u>61,316,058</u>
\$	<u><u>-</u></u>	<u><u>\$ 4,973,703</u></u>	<u><u>\$ 4,973,703</u></u>	<u><u>\$ 72,284,718</u></u>

See Independent Auditor's Report.