

Financial Statements

PET ALLIANCE OF GREATER ORLANDO, INC.

June 30, 2014 and 2013

PET ALLIANCE OF GREATER ORLANDO, INC.

Financial Statements

June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

PET ALLIANCE OF GREATER ORLANDO, INC.

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SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

986 Douglas Avenue, Suite 100
Altamonte Springs, Florida 32714
Phone: (407) 875-2760
Fax: (407) 875-2762

Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 300
Maitland, Florida 32751
Phone: (407) 839-3330
Fax: (407) 839-3660

Michael R. Schafer, CPA
Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Auditor's Report

The Board of Directors
Pet Alliance of Greater Orlando, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Pet Alliance of Greater Orlando, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Pet Alliance of Greater Orlando, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schatz, Tschagg, Whitcomb, Mitchell & Shulman, LLP

December 8, 2014
Altamonte Springs, Florida

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Financial Position

June 30, 2014 and 2013

	<u>Assets</u>	
	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 525,937	1,023,563
Investments (note 3)	1,449,245	1,372,266
Pledges receivable (note 4)	124,689	-
Bequests receivable (note 1)	900,000	510,000
Prepaid expenses and other assets	85,093	87,752
Total current assets	<u>3,084,964</u>	<u>2,993,581</u>
Property and equipment, net (note 5)	3,749,533	3,730,988
Pledges receivable (note 4)	49,902	-
Contribution receivable - split-interest agreement (note 2)	623,032	537,891
Beneficial interest in assets held by a foundation (note 6)	29,465	26,808
Other assets	-	145,000
Total assets	<u>\$ 7,536,896</u>	<u>7,434,268</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 252,319	289,061
Accrued expenses	69,218	130,408
Total current liabilities	<u>321,537</u>	<u>419,469</u>
Net assets:		
Unrestricted	6,417,736	6,476,908
Temporarily restricted (note 9)	797,623	537,891
Total net assets	<u>7,215,359</u>	<u>7,014,799</u>
Total liabilities and net assets	<u>\$ 7,536,896</u>	<u>7,434,268</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,882,704	-	3,882,704
Adoption and related fees	658,545	-	658,545
Service contracts (note 1)	18,700	-	18,700
Merchandise sales	7,928	-	7,928
Investment income	18,318	-	18,318
Net realized and unrealized gains (losses) on investments (note 3)	59,161	-	59,161
Gain on sale of other assets	57,150	-	
Other revenue	75,888	-	75,888
Public Support			
Donations and grants	786,081	174,591	960,672
Bequest income	1,031,965	-	1,031,965
Change in value of beneficial interests in assets held by a foundation	2,657	-	2,657
Change in value of split interest agreement	-	85,141	85,141
Special events	679,683	-	679,683
Less: direct benefit costs to donors	(125,884)	-	(125,884)
Total revenue and public support	<u>7,152,896</u>	<u>259,732</u>	<u>7,412,628</u>
Expenses:			
Program services	6,420,737	-	6,420,737
General administration	319,768	-	319,768
Fundraising and development	471,563	-	471,563
Total expenses	<u>7,212,068</u>	<u>-</u>	<u>7,212,068</u>
Change in net assets	(59,172)	259,732	200,560
Net assets at beginning of year	<u>6,476,908</u>	<u>537,891</u>	<u>7,014,799</u>
Net assets at end of year	<u>\$ 6,417,736</u>	<u>797,623</u>	<u>7,215,359</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,633,884	-	3,633,884
Adoption and related fees	630,575	-	630,575
Service contracts (note 1)	14,960	-	14,960
Merchandise sales	41,721	-	41,721
Investment income	47,292	-	47,292
Net unrealized gains (losses) on investments (note 3)	(1,112)	-	(1,112)
Other revenue	60,363	-	60,363
Public Support			
Donations and grants	835,025	-	835,025
Bequest income	735,836	-	735,836
Change in value of beneficial interests in assets held by a foundation	1,862	-	1,862
Change in value of split interest agreement	-	54,837	54,837
Membership fees	60,400	-	60,400
Special events	582,509	-	582,509
Less: direct benefit costs to donors	(168,177)	-	(168,177)
Total revenue and public support	<u>6,475,138</u>	<u>54,837</u>	<u>6,529,975</u>
Expenses:			
Program services	5,860,592	-	5,860,592
General administration	275,326	-	275,326
Fundraising and development	429,456	-	429,456
Total expenses	<u>6,565,374</u>	<u>-</u>	<u>6,565,374</u>
Change in net assets	(90,236)	54,837	(35,399)
Net assets at beginning of year	<u>6,567,144</u>	<u>483,054</u>	<u>7,050,198</u>
Net assets at end of year	<u>\$ 6,476,908</u>	<u>537,891</u>	<u>7,014,799</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Functional Expenses

Years ended June 30, 2014 and 2013

	2014			2013			
	Program Services	General Administration	Fundraising and Development	Program Services	General Administration	Fundraising and Development	Total
Salaries and related expenses	\$ 3,727,549	252,832	141,880	3,610,980	127,640	193,537	3,932,157
Medical supplies	1,669,018	-	-	1,488,038	-	-	1,488,038
Shelter animal support costs	88,925	-	-	103,923	-	-	103,923
Education supplies and camp expenses	9,949	-	-	27,034	-	-	27,034
Cost of resale merchandise	6,488	-	-	-	-	23,854	23,854
Utilities, security, trash and medical disposal	117,315	7,221	1,986	95,181	4,500	4,524	104,205
Repairs and maintenance	50,989	4,098	333	48,282	1,629	353	50,264
Insurance	162,355	11,848	4,424	112,593	8,900	6,257	127,750
Depreciation	200,644	4,137	2,069	195,120	4,128	4,128	203,376
Office supplies	21,498	6,852	993	23,139	7,047	1,164	31,350
Telephone expense	22,948	1,538	576	27,678	2,454	1,544	31,676
Equipment leasing and maintenance	31,473	598	1,085	15,015	3,339	3,339	21,693
Computer support and website costs	50,594	6,508	21,385	2,972	3,067	1,937	7,976
Direct mail campaigns and postage	24,939	1,572	23,721	1,962	3,620	13,660	19,242
Printing	34,959	408	1,566	30,799	17,640	2,672	51,111
Advertising, rebranding and in-kind public relations	63,208	-	251,891	465	843	150,093	151,401
Bank charges and credit card fees	67,946	605	14,612	51,485	1,002	16,545	69,032
Dues, licenses and subscriptions	4,208	1,866	827	1,701	5,456	2,812	9,969
Professional fees	24,918	16,873	89	6,032	13,859	-	19,891
Staff and volunteer appreciation in-kind expense	-	-	-	-	36,000	-	36,000
Travel costs, vehicle expense and repairs	32,585	1,188	1,152	17,875	1,290	990	20,155
Miscellaneous expenses	8,029	1,624	2,974	318	32,912	2,047	35,277
Total expenses	\$ 6,420,737	319,768	471,563	5,860,592	275,326	429,456	6,565,374

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 200,560	(35,399)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	206,850	203,376
Net unrealized (gains) losses on investments	(59,161)	1,112
Gain on sale of other assets	(57,150)	-
Change in operating assets and liabilities:		
Pledges receivable	(174,591)	-
Bequests receivable	(390,000)	(370,000)
Contribution receivable - split interest agreement	(85,141)	(54,837)
Prepaid expenses and other assets	2,659	38,970
Beneficial interest in assets held by a foundation	(2,657)	(1,862)
Accounts payable	(36,742)	(368,592)
Accrued expenses	(61,190)	43,575
Net cash used in operating activities	<u>(456,563)</u>	<u>(543,657)</u>
Cash flows from investing activities:		
Proceeds from sale of other assets	202,150	-
Purchases of investments	(17,818)	(138,425)
Purchases - property and equipment	(225,395)	(14,535)
Net cash used in investing activities:	<u>(41,063)</u>	<u>(152,960)</u>
Net decrease in cash and cash equivalents	(497,626)	(696,617)
Cash and cash equivalents at beginning of year	<u>1,023,563</u>	<u>1,720,180</u>
Cash and cash equivalents at end of year	<u>\$ 525,937</u>	<u>1,023,563</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) **Organization and Summary of Significant Accounting Policies**

(a) **General**

Pet Alliance of Greater Orlando, Inc. (the "Organization") is a not-for-profit organization incorporated in Orange County, Florida. The Organization educates, shelters, places, and heals pets and their families with compassionate, responsible care maintained to the highest professional standards. The vision of the Organization is to create more caring communities by promoting happier, healthier pets and their families.

As the go-to pet experts for Central Florida, the Organization does good things for dogs and cats and the people who love them. Formerly the SPCA of Central Florida, the Organization's goal is to provide compassionate and knowledgeable services for pets and to be leaders in innovative animal care and veterinary medicine. More than 10,000 homeless dogs and cats will turn to the Organization for caring, compassion, and hope through its two animal shelters this year. Highly skilled veterinarians will help and heal an additional 45,000 animals through two veterinary clinics. Providing shelter for animals in crisis, disaster response efforts, and pet food pantry programs for dogs and cats in need, thousands of additional animals are helped each year. Visit www.PetAllianceOrlando.org for more information.

(b) **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting and represent the financial position and results of operations of the Organization.

The Organization has adopted the provisions of Financial Accounting Standards Board ASC 958, Accounting for Contributions Received and Contributions Made and Financial Statements for Not-for-Profit Organizations.

These financial statements are prepared on an entity wide basis, focusing on the organization as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted as follows:

- ◆ Unrestricted net assets---Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

- ◆ 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 (See note 9).
- ◆ Permanently restricted net assets---Net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. There were no permanently restricted net assets as of or for the years ended June 30, 2014 and 2013.

Revenue and Public Support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Organization receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. For the years ended June 30, 2014 and 2013, contributed assets and services amounted to approximately \$515,000 and \$344,000, respectively.

From time to time, the Organization is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established nor have they been recognized in the accompanying financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(c) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$500 are capitalized; maintenance and renewals are charged to expense as incurred.

(d) Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

In accordance with "Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets," FASB Codification Topic 360-10 (Topic 360-10) long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Functional Allocation of Expenses

The costs of providing Organization programs and the administration of the Organization have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(g) Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(h) Income Taxes

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. The Organization is not aware of any activities that would jeopardize its tax-exempt status or that are subject to tax on unrelated business income, excise or other taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2014, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(h) Income Taxes (Continued)

The Organization's income tax returns are subject to review and examination by federal authorities. Since the Organization's income tax filings are subject to audit by federal taxing authorities, generally three years after they are filed, the Organization is no longer subject to examinations by federal taxing authorities for the years ended before June 30, 2011. In addition, there are currently no pending income tax examinations by federal taxing authorities.

(i) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The Organization's financial instruments are cash and cash equivalents, investments, short-term contributions receivable, prepaid expenses and other assets, a long-term contribution receivable -- split-interest agreement, beneficial interests in assets held by a Foundation, accounts payable and accrued expenses.

The recorded values of cash and cash equivalents, short-term contributions receivable, prepaid expenses and other assets, accounts payable, and accrued expenses, approximate their fair value based on their short-term nature.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities (see notes 1(k) and 3).

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates (Level 3 inputs) (See notes 1(k) and 2). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded values of beneficial interests in assets held by a Foundation approximate fair value as they are based on these funds being pooled into various investment funds held by the Foundations (Level 3 inputs) (See notes 1(k) and 6). The fair value of the underlying investments within the Foundation's investment funds are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Financial Instruments Fair Value, Concentration of Business and Credit Risks (Continued)

Grants and contracts receivable arise as a result of the agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized.

The Organization maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Organization has not experienced any losses on such accounts.

(j) Service Contracts

In fiscal years 2014 and 2013, the Organization had service contracts with the City of Orlando, Florida under which the Organization provided certain services including cruelty investigation, rescue, transportation and emergency treatment of injured, abused or neglected animals within the City of Orlando. During fiscal 2014 and 2013, the Organization received approximately \$19,000 and \$15,000, respectively, under these contracts.

(k) Fair Value Measurements

The Organization has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's financial position or results of operations.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(k) **Fair Value Measurements (Continued)**

Fair value is defined under “Fair Value Measurements and Disclosures,” FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

The Organization’s financial instruments measured at fair value on a recurring basis subject to the disclosure requirements of Topic 820 at June 30, 2014 and 2013 were as follows:

<u>2014</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,449,245</u>	<u>-</u>	<u>-</u>	<u>1,449,245</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>623,032</u>	<u>623,032</u>
Beneficial interest in assets held by a foundation	<u>-</u>	<u>-</u>	<u>29,465</u>	<u>29,465</u>

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies (Continued)

(k) Fair Value Measurements (Continued)

<u>2013</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,372,266</u>	<u>-</u>	<u>-</u>	<u>1,372,266</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>537,891</u>	<u>537,891</u>
Beneficial interest in assets held by a foundation	<u>-</u>	<u>-</u>	<u>26,808</u>	<u>26,808</u>

(l) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through December 8, 2014, which is the date the financial statements were available to be issued.

(m) Bequests Receivable

The Organization records bequests receivable when notification has been received that the Organization has been named as a beneficiary in a will, the probate courts have declared the associated testamentary instrument valid, and the amount to be received is known as the value can be reasonably estimated and measurable or an estimate has been provided by the trustee or the executor of the estate.

If the will provides that the Organization will receive a percentage of the estate, but the total realizable amounts are not presently determinable, no entries are recorded. However, if the amount could be material, a disclosure is made in the Organization's financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(m) **Bequests Receivable (Continued)**

Certain gifts have not been recorded in the accompanying financial statements because donors' wills have not yet been declared valid by the probate court or the value of the amounts to be received is not yet determinable. The Organization will record and report all such gifts as the value is determined.

The Organization has been named as a beneficiary in several wills or trust agreements where the person hasn't passed away. These are considered intentions to give and not promises to give, and as a result, no entries are recorded and no disclosures are made in the financial statements

(n) **Reclassifications**

Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

(2) **Split-Interest Agreement**

During 2001, the Organization became a beneficiary to an irrevocable charitable remainder trust. A charitable remainder trust provides for the payment of distributions to beneficiaries over the trust term. The trust term provides that approximately one-third of the trust will be paid at the end of ten, twenty, and thirty years. At the end of the term, the remaining assets are distributed to specified beneficiaries including the Organization. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is contributed. The related receivable is shown under split-interest receivable in the statement of financial position. The assets are held by a third party who administers the gift. The net present value of the Organization's interest using a 6.5% discount rate is \$623,032, and is considered or classified as temporarily restricted due to the passage of time.

(3) **Investments**

At June 30, 2014 the Organization's investment portfolio consisted of marketable equity and fixed income securities carried at fair value. The Organization derives the fair value of its securities based on quoted market prices.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(3) **Investments (Continued)**

The following table summarizes the Organization's investments at June 30, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Mutual fund - equities	\$ 104,930	144,376	102,214	117,783
Mutual funds - fixed income securities	1,285,421	1,304,869	1,251,881	1,254,483
	<u>\$ 1,390,351</u>	<u>1,449,245</u>	<u>1,354,095</u>	<u>1,372,266</u>

Investment gains and losses as reported in the accompanying statements of activities include unrealized gains of \$59,161 in 2014 and unrealized losses of \$1,112 in 2013 associated with the investments reflected herein.

(4) **Pledges Receivable**

As of June 30, 2014, restricted contributions are due as follows:

Less than one year	\$ 124,689
One to five years	<u>69,273</u>
	193,962
Less:	
Unamortized discount	(7,475)
Allowance for uncollectible pledges	<u>(11,896)</u>
Total	<u>\$ 174,591</u>

Interest was imputed at 3.5% in discounting long-term promises to give.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(5) Property and Equipment

Property and equipment consist of the following at June 30:

	<u>Useful Life</u>	<u>2014</u>	<u>2013</u>
Building	40	\$ 5,439,930	5,376,596
Equipment and software	3-7	1,023,460	951,279
Vehicles	5	389,906	300,026
		6,853,296	6,627,901
Less accumulated depreciation		3,103,763	2,896,913
		<u>\$ 3,749,533</u>	<u>3,730,988</u>

The Organization leases the land on which the buildings are located under long-term leases with Orange County and Seminole County, Florida, which expire March 2, 2042 and October 5, 2043, respectively. Under the terms of the leases, the Organization paid total consideration of \$10. The effect of these leases is not reflected in the accompanying statements of activities because the fair value of these leases is not readily determinable.

(6) Beneficial Interest in Assets Held by a Foundation

The Organization established an endowment with the Central Florida Foundation (the "CFF"). The endowment will provide a permanent source of income for the Organization. Future income may be withdrawn or added to the principal balance of the endowment at the Organization's discretion. In accordance with accounting standards on the reporting of endowment funds, those funds are classified as unrestricted and are carried as an asset on the accompanying statement of financial position.

The terms of the fund agreement with the CFF provide, among other things, that distributions are subject to the CFF's policies. The Organization may recommend distribution from certain funds at any time; however, all recommendations are solely advisory and may be accepted or rejected by the CFF. At the time of the transfers, the Organization granted variance power to the CFF. That power gives the Board of Directors of the CFF the power to modify or eliminate any

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(6) Beneficial Interest in Assets Held by a Foundation (Continued)

restriction, limitation, or condition on the distribution of funds, including their use for any specified purposes or their distribution to specific organizations, if the Board of Directors determines that such restriction, limitation or condition becomes by material and significant change of circumstances in effect unnecessary, incapable of fulfillment, or inconsistent with the proper charitable, religious, scientific, literary, cultural or educational uses and purposes of the Central Florida area.

(7) Employee Benefit Plan

The Organization's contributions to a salary savings 401(k) plan for the years ended June 30, 2014 and 2013 amounted to approximately \$41,000 and \$43,000, respectively.

(8) Commitments and Contingencies

Legal matters

The Organization occasionally becomes party to various legal actions and proceedings in the normal course of business. In the opinion of management, the ultimate resolution of these matters will not have a significant adverse effect on the accompanying financial statements.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Contribution receivable – split-interest agreement	\$ 623,032	537,891
Pledges receivable	174,591	-
	<u>\$ 797,623</u>	<u>537,891</u>