

**FIDELCO GUIDE DOG FOUNDATION, INC.**

Independent Auditors' Report and  
Financial Statements

December 31, 2014 and 2013

# FIDELCO GUIDE DOG FOUNDATION, INC.

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December 31, 2014 and 2013

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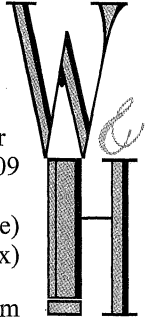
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Fidelco Guide Dog Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Fidelco Guide Dog Foundation, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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.

**Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Fidelco Guide Dog Foundation, Inc. as of December 31, 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.

*Whittlesey & Hadley, P.C.*

Hartford, Connecticut  
June 11, 2015

*Offices in Hartford, Connecticut & Holyoke, Massachusetts*

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Financial Position

December 31, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 1,816,312	\$ 3,396,944
Investments:		
Securities	14,407,065	13,250,257
Property held for sale	1,950,000	2,900,000
Held in trust by others	1,191,173	1,171,959
Charitable remainder trusts	557,173	592,811
Land, building and equipment, net	4,907,767	2,747,583
Prepaid expenses	106,035	119,331
Contributions receivable	80,221	75,680
Deposit receivable	-	82,800
Other receivables	12,080	11,462
Total assets	\$ 25,027,826	\$ 24,348,827
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 185,719	\$ 224,914
Pension benefit obligation	899,362	658,732
Tenant security deposits	9,307	-
Total liabilities	1,094,388	883,646
Net assets:		
Unrestricted:		
Operations	(642,027)	(344,830)
Land, building and equipment	4,907,767	2,747,583
Board designated	7,590,530	8,652,560
Total unrestricted	11,856,270	11,055,313
Temporarily restricted	1,430,098	2,782,012
Permanently restricted	10,647,070	9,627,856
Total net assets	23,933,438	23,465,181
Total liabilities and net assets	\$ 25,027,826	\$ 24,348,827

The accompanying notes are an integral part of the financial statements.

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Activities and Changes in Net Assets

For the year ended December 31, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and Services</b>				
Contributions	\$ 2,990,808	\$ 1,345,253	\$ 1,000,000	\$ 5,336,061
Sales of products and services	124,754	-	-	124,754
Events	118,415	-	-	118,415
Other	79,387	-	-	79,387
Net assets satisfying purpose restrictions	454,806	(454,806)	-	-
Appropriation of endowment assets for operations	781,067	-	-	781,067
Total revenues	<u>4,549,237</u>	<u>890,447</u>	<u>1,000,000</u>	<u>6,439,684</u>
<b>Operating Expenses</b>				
Program services:				
Training and placement	2,173,259	-	-	2,173,259
Kennel costs	239,646	-	-	239,646
Operating facilities	437,914	-	-	437,914
Monitoring and public education	841,204	-	-	841,204
Total program services	<u>3,692,023</u>	<u>-</u>	<u>-</u>	<u>3,692,023</u>
Supporting services:				
Management and general	647,840	-	-	647,840
Fundraising and special events	341,288	-	-	341,288
Total supporting services	<u>989,128</u>	<u>-</u>	<u>-</u>	<u>989,128</u>
Total expenses	<u>4,681,151</u>	<u>-</u>	<u>-</u>	<u>4,681,151</u>
Change in net assets from operating activities	(131,914)	890,447	1,000,000	1,758,533
<b>Other Changes</b>				
Appropriation of endowment assets for operations	(781,067)	-	-	(781,067)
Appropriation of endowment assets for property and improvements	2,229,431	(2,229,431)	-	-
Income from investments, net	669,037	(12,930)	19,214	675,321
Rental income, net	56,814	-	-	56,814
Pension benefits related changes other than net periodic pension cost	(291,344)	-	-	(291,344)
Impairment of property held for sale	(950,000)	-	-	(950,000)
Total change in net assets	800,957	(1,351,914)	1,019,214	468,257
Net assets, beginning of year	11,055,313	2,782,012	9,627,856	23,465,181
Net assets, end of year	<u>\$11,856,270</u>	<u>\$ 1,430,098</u>	<u>\$10,647,070</u>	<u>\$23,933,438</u>

The accompanying notes are an integral part of the financial statements.

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Activities and Changes in Net Assets (continued)

For the year ended December 31, 2013

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and Services</b>				
Contributions	\$ 2,973,159	\$ 259,029	\$ 1,004,000	\$ 4,236,188
Sales of products and services	136,698	-	-	136,698
Events	166,067	-	-	166,067
Other	67,118	-	-	67,118
Net assets satisfying purpose restrictions	312,611	(312,611)	-	-
Appropriation of endowment assets for operations	543,524	-	-	543,524
Total revenues	<u>4,199,177</u>	<u>(53,582)</u>	<u>1,004,000</u>	<u>5,149,595</u>
<b>Operating Expenses</b>				
Program services:				
Training and placement	1,941,929	-	-	1,941,929
Kennel costs	310,642	-	-	310,642
Operating facilities	327,363	-	-	327,363
Monitoring and public education	768,162	-	-	768,162
Total program services	<u>3,348,096</u>	<u>-</u>	<u>-</u>	<u>3,348,096</u>
Supporting services:				
Management and general	565,576	-	-	565,576
Fundraising and special events	289,127	-	-	289,127
Total supporting services	<u>854,703</u>	<u>-</u>	<u>-</u>	<u>854,703</u>
Total expenses	<u>4,202,799</u>	<u>-</u>	<u>-</u>	<u>4,202,799</u>
Change in net assets from operating activities	(3,622)	(53,582)	1,004,000	946,796
<b>Other Changes</b>				
Appropriation of endowment assets for operations	(543,524)	-	-	(543,524)
Income from investments, net	2,302,733	5,493	168,545	2,476,771
Loss on disposal of assets	(1,374)	-	-	(1,374)
Pension benefits related changes				
other than net periodic pension cost	70,959	-	-	70,959
Settlement	155,000	-	-	155,000
Re-characterization of gift by donor	-	2,000,000	(2,000,000)	-
Impairment of property held for sale	(850,000)	-	-	(850,000)
Total change in net assets	1,130,172	1,951,911	(827,455)	2,254,628
Net assets, beginning of year	9,925,141	830,101	10,455,311	21,210,553
Net assets, end of year	<u>\$11,055,313</u>	<u>\$ 2,782,012</u>	<u>\$ 9,627,856</u>	<u>\$23,465,181</u>

The accompanying notes are an integral part of the financial statements.

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Total change in net assets	\$ 468,257	\$ 2,254,628
Adjustments to reconcile total change in net assets to net change in operating activities:		
Depreciation	149,467	150,437
Loss on disposal of assets	-	1,374
Net gain on investments	(410,218)	(2,074,966)
Net gain on investments held in trust by others	(19,214)	(168,545)
Change in value of contributions receivable from remainder trust	35,638	(5,493)
Impairment of property held for sale	950,000	850,000
Change in operating assets and liabilities:		
Other receivables	(618)	(11,462)
Contributions receivable	(4,541)	30,716
Deposit receivable	82,800	(82,800)
Prepaid expenses	13,296	(42,050)
Accounts payable and accrued expenses	(39,195)	4,178
Pension benefit obligation	240,630	(101,825)
Tenant security deposits	9,307	-
Net change in operating activities	1,475,609	804,192
<b>Cash Flows from Investing Activities</b>		
Purchases of investments - securities	(2,101,002)	(627,520)
Proceeds from sale of investment securities	1,354,412	2,681,512
Purchases of land, building and equipment	(2,309,651)	(156,889)
Net change in investing activities	(3,056,241)	1,897,103
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit	1,150,000	780,000
Repayment of line of credit	(1,150,000)	(780,000)
Net change in financing activities	-	-
Net change in cash and cash equivalents	(1,580,632)	2,701,295
Cash and cash equivalents, beginning of year	3,396,944	695,649
Cash and cash equivalents, end of year	\$ 1,816,312	\$ 3,396,944
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 18,033	\$ 11,948

The accompanying notes are an integral part of the financial statements.

# FIDELCO GUIDE DOG FOUNDATION, INC.

Notes to Financial Statements

December 31, 2014 and 2013

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Fidelco Guide Dog Foundation, Inc. (“Fidelco”) is incorporated as a charitable and educational organization under the laws of the State of Connecticut. Its principal purposes include:

- Promoting increased independence and mobility to men and women who are blind by providing them with the highest quality guide dogs.
- Providing educational services to blind clients utilizing Fidelco guide dogs over the working life of their animals.
- Training and “in-community” placement of the highest quality guide dogs.
- Maintaining Fidelco guide dog performance to the highest professional level attainable.
- Continue to refine the breed of the Fidelco German Shepherd dog through genetic and clinical methods.
- Developing improved training methods.
- Educating the public on how blind persons can lead independent and productive lives through the use of a guide dog.

### Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Estimates that are particularly critical and are susceptible are the valuation for property held for sale and expenses and liabilities for pension benefits. Actual results could differ from those estimates.

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements report information regarding Fidelco's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted:	Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
Temporarily Restricted:	Net assets whose use by Fidelco is subject to explicit donor-imposed stipulations that can be fulfilled by actions of Fidelco or that expire by the passage of time.
Permanently Restricted:	Net assets subject to explicit donor-imposed stipulations that the principal be invested in perpetuity and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted.



## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Cash and Cash Equivalents

Fidelco considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Investments

Investments are reported at fair value and reflect any gain or loss in the statement of activities and changes in net assets. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Non-monetary investments received as gifts are immediately sold and recorded at the realized value.

### Fair Value Measurements

Fair value is based on exit price in the principal market for the asset or liability being measured at fair value, and is the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. A three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities is described as follows:

Level 1 - Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Assets and liabilities whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

### Endowment Assets

Fidelco's endowment funds are subject to the *Connecticut Uniform Prudent Management of Institutional Funds Act*, which includes enhanced disclosures for the endowment funds.

Fidelco adopted a spending policy designed to support Fidelco's mission. The policy provides funds for current operating needs while allowing growth of principal to support future operations. The use of funds is subject to approval by the Board of Directors.

Fidelco's policy is to present board designated investment income and permanently restricted investments held in trust income distributions earned during the year with unrestricted net assets. Currently, none of Fidelco's investment earnings or permanently restricted investments held in trust income distributions are subject to temporary restrictions.

### Subsequent Event

In connection with the preparation of the financial statements, management has evaluated events subsequent to December 31, 2014 through June 11, 2015 the date the financial statements were available to be issued.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to Fidelco that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Fidelco records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. The contribution receivable consists of one multi-year pledge from a trust, which was discounted at 6%. A total of \$137,433 will be received over a 23 year period which began in 2012. \$-0- is due in 2015.

Fidelco is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measureable.

### Charitable Remainder Trusts

Fidelco received contributions in the form of charitable remainder trusts. Under the terms of the trusts, Fidelco is to receive the assets of each trust upon the death of the donor while the donor is to receive the income from the trust investments for life. Fidelco is not the Trustee of the trusts. Upon notification of each trust, Fidelco records receipt of the contribution at fair market value discounted for the present value of the estimated future payments based on the life expectancy of each donor and the expected rate of return on trust assets. Life expectancy is based on published actuarial tables. Should the donor surpass the projection per the actuarial table, the contribution is carried at the current fair market value. Changes in the value of each trust at the financial statement date were adjusted for appreciation or depreciation in trust assets and the updated life expectancy of each donor.

### Tax Exempt Status

The Internal Revenue Service (“IRS”) determined that Fidelco is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, Fidelco is exempt from state income taxes and no provision for income taxes has been made in the accompanying financial statements.

Uncertain tax positions are initially recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by tax authorities. As of December 31, 2014 and 2013, Fidelco has no tax positions that qualify for either recognition or disclosure in the financial statements and believes that it has appropriate support for income tax positions taken in its tax returns. Currently, Fidelco’s Federal informational returns for fiscal years 2011 through 2013 remain open to inspection by the IRS, with the 2014 return to be filed in 2015.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Land, Building and Equipment

Fidelco capitalizes all expenditures for building and equipment having a useful life of greater than one year. Purchased buildings and equipment are recorded at cost. Donated building and equipment are recorded at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The building has a life of forty (40) years, improvements range from five (5) to twenty (20) years, and equipment and vehicles range from three (3) to six (6) years.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

### Gifts of Long-Lived Assets

Fidelco reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Upon expiration of donor stipulations, Fidelco sells the long-lived assets or places the long-lived assets in service.

### Contributed Products and Services

Contributed products and services are recorded at their estimated values at date of receipt. The majority of Fidelco's contributed products and services relate to various advertising media and services received in connection with promoting Fidelco and its principal fund raising activities.

### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited.

### Pension Plan

Fidelco maintains a contributory defined benefit pension plan covering all full-time employees. It is Fidelco's policy to fund pension costs accrued.

### Concentration of Credit Risk

The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Fidelco invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks, depending on the nature of the specific investment; therefore, it is at least reasonably possible that these factors will result in changes in the value of Fidelco's investments, which could materially affect amounts reported in the financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Major Contributors

Contributions received from major contributors were as follows for the years ended December 31:

Donor	2014		2013	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 2,000,000	37.5%	\$ 1,000,000	23.6%
B	325,682	6.1%	500,000	11.8%
C	274,075	5.1%	-	0.0%
D	188,641	3.5%	-	0.0%
E	184,735	3.5%	-	0.0%
F	120,000	2.2%	105,000	2.5%
G	-	0.0%	266,250	6.3%
H	-	0.0%	159,613	3.8%
	<u>\$ 3,093,133</u>	<u>58.0%</u>	<u>\$ 2,030,863</u>	<u>35.3%</u>

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The following table details the financial instruments carried at fair value as of December 31, 2014 and 2013 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and mutual funds	\$ 10,933,683	\$ -	\$ -	\$ 10,933,683
Debt securities and mutual funds	-	3,456,316	-	3,456,316
Government mortgage backed securities	-	17,066	-	17,066
	<u>10,933,683</u>	<u>3,473,382</u>	<u>-</u>	<u>14,407,065</u>
Held in trust held by others	889,810	301,363	-	1,191,173
Charitable remainder trusts	344,247	212,926	-	557,173
	<u>\$ 12,167,740</u>	<u>\$ 3,987,671</u>	<u>\$ -</u>	<u>\$ 16,155,411</u>
	2013			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and mutual funds	\$ 9,910,130	\$ -	\$ -	\$ 9,910,130
Debt securities and mutual funds	-	3,316,530	-	3,316,530
Government mortgage backed securities	-	23,597	-	23,597
	<u>9,910,130</u>	<u>3,340,127</u>	<u>-</u>	<u>13,250,257</u>
Held in trust held by others	906,729	265,230	-	1,171,959
Charitable remainder trusts	387,361	205,450	-	592,811
	<u>\$ 11,204,220</u>	<u>\$ 3,810,807</u>	<u>\$ -</u>	<u>\$ 15,015,027</u>

**NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)**

Certain assets and liabilities are measured at fair value on a nonrecurring basis. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the reporting period as well as assets that are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

Property held for sale is from a contribution of real property made in 2006 with an appraised fair value of \$4,500,000. During 2014, the Board of Directors reduced the fair value of the property for sale to \$1,950,000 (using Level 3 measurements) to reflect management’s estimate of the current market value based on market conditions and expected future potential sale value.

**NOTE 3 – ENDOWMENT ASSETS**

The reconciliation of Fidelco’s endowment assets by net asset category is as follows for the years ending December 31:

	2014			
	Board			Total
	Designated Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance, beginning of year	\$ 8,652,560	\$ 2,782,012	\$ 9,627,856	\$ 21,062,428
Investment income	361,538	-	-	361,538
Realized gains/(losses)	828,473	(12,930)	19,214	834,757
Unrealized losses	(418,255)	-	-	(418,255)
Management fees	(102,719)	-	-	(102,719)
Contributions	-	1,345,253	1,000,000	2,345,253
Impairment of property held for sale	(950,000)	-	-	(950,000)
Appropriation of endowment assets for expenditures	(781,067)	(2,684,237)	-	(3,465,304)
Balance, end of year	<u>\$ 7,590,530</u>	<u>\$ 1,430,098</u>	<u>\$ 10,647,070</u>	<u>\$ 19,667,698</u>
	2013			
Balance, beginning of year	\$ 7,743,351	\$ 830,101	\$ 10,455,311	\$ 19,028,763
Investment income	312,856	-	-	312,856
Realized gains	866,478	-	-	866,478
Unrealized gains	1,208,488	5,493	168,545	1,382,526
Management fees	(85,089)	-	-	(85,089)
Contributions	-	259,029	1,004,000	1,263,029
Impairment of property held for sale	(850,000)	-	-	(850,000)
Re-characterization of gift by donor	-	2,000,000	(2,000,000)	-
Appropriation of endowment assets for expenditures	(543,524)	(312,611)	-	(856,135)
Balance, end of year	<u>\$ 8,652,560</u>	<u>\$ 2,782,012</u>	<u>\$ 9,627,856</u>	<u>\$ 21,062,428</u>

#### NOTE 4 – LAND, BUILDING AND EQUIPMENT

Balances of major classes of depreciable assets (recorded at cost) and total accumulated depreciation are as follows as of December 31:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 1,199,642	\$ 199,642
Building and improvements	6,706,770	5,392,104
Equipment	887,256	874,673
	<u>8,793,668</u>	<u>6,466,419</u>
Less: accumulated depreciation	<u>(3,885,901)</u>	<u>(3,718,836)</u>
	<u>\$ 4,907,767</u>	<u>\$ 2,747,583</u>

#### NOTE 5 – NET ASSETS

Temporarily restricted net assets are comprised of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Property and improvements	\$ 748,098	\$ 2,000,000
Charitable remainder trust	557,173	592,811
Contributions receivable	80,221	75,680
Guide dog placement program	27,330	96,245
Various programs	17,276	17,276
	<u>\$ 1,430,098</u>	<u>\$ 2,782,012</u>

Permanently restricted net assets are comprised of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Successor guide dog program	\$ 6,800,000	\$ 5,800,000
First time placement program	1,195,897	1,195,897
Investments - held in trust by others	1,191,173	1,171,959
Puphouse maintenance program	650,000	650,000
Apprentice program	300,000	300,000
Guide dog placement program	250,000	250,000
Guide dog training program	250,000	250,000
Endowment fund - other	10,000	10,000
	<u>\$ 10,647,070</u>	<u>\$ 9,627,856</u>

Investments held in trust by others represent the market value of Fidelco's rights to split-interest agreements. All of Fidelco's split-interest agreement assets are classified as permanently restricted funds because they are perpetual trusts. The present value of the future payments is estimated to equal the current market value of these investments, and they are recorded by Fidelco at this value.

During the year ended December 31, 2013, \$2,000,000 was released from permanently restricted net assets to temporarily restricted net assets with the approval of the trustee of the original donor's foundation. Certain additional restrictions were placed on the amount.

**NOTE 6 – PENSION PLAN**

Fidelco has a defined benefit pension plan covering substantially all employees who meet the eligibility requirements of the pension plan. The pension plan contribution is 2.3% of pay. Pension benefits are based on years of credited service and employees' average annual earnings, as defined in the plan. Fidelco's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the plan's funded status and amount recognized in the financial statements as of and for the years ended December 31, 2014 and 2013, using a measurement date of the same dates:

	<u>2014</u>	<u>2013</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 1,929,940	\$ 1,853,891
Service cost	85,558	88,580
Interest cost	88,689	82,087
Actuarial loss	278,589	(40,112)
Benefits paid	<u>(58,254)</u>	<u>(54,506)</u>
Present value, end of year	<u>2,324,522</u>	<u>1,929,940</u>
 Change in plan assets:		
Fair value (level 1), beginning of year	1,271,208	1,093,334
Actual return on assets, less expense charges	87,255	186,363
Contributions	124,951	46,017
Benefits paid	<u>(58,254)</u>	<u>(54,506)</u>
Fair value (level 1), end of year	<u>1,425,160</u>	<u>1,271,208</u>
 Unfunded status of pension benefits	 <u>\$ 899,362</u>	 <u>\$ 658,732</u>
 Components of net periodic pension benefits cost:		
Service cost	\$ 85,558	\$ 88,580
Interest cost	88,689	82,087
Expected return on plan assets	(78,280)	(65,237)
Amortization of unrecognized net loss	<u>12,755</u>	<u>30,847</u>
Net periodic pension benefit cost	<u>\$ 108,722</u>	<u>\$ 136,277</u>

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at December 31:

	<u>2014</u>	<u>2013</u>
Weighted average discount rate	3.97%	4.70%
Assumed rate of future compensation increase	3.25%	3.25%
Expected long-term rate of return on plan assets	6.00%	6.00%

**NOTE 6 – PENSION PLAN (CONTINUED)**

The expected long-term rate of return on the plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio. Asset allocation is determined by the Board of Directors.

All pension plan assets consist of mutual funds and are valued utilizing Level 1 inputs, which consist of unadjusted quoted prices in active markets for identical assets. Pension plan assets are categorized as follows at December 31:

Asset category:	2014	2013
Cash and cash equivalents	3%	1%
Debt securities	35%	33%
Equity securities	62%	66%
	<u>100%</u>	<u>100%</u>

The following future pension benefits are expected to be paid:

For the year ended December 31, 2015	\$	62,000
2016		61,000
2017		71,000
2018		80,000
2019		82,000
Five years thereafter		614,000

**NOTE 7 – LINE OF CREDIT**

Fidelco has a \$1,000,000 line of credit, which is secured by real estate and guaranteed by Fidelco. No balances were outstanding at December 31, 2014 and 2013. The line of credit expires on December 24, 2015 and the interest rate is set at the bank's prime rate (3.25% at December 31, 2014 and 2013).

**NOTE 8 – RECLASSIFICATIONS**

Certain reclassifications were made to the December 31, 2013 financial statements to be consistent with the December 31, 2014 financial statement presentation. The reclassifications had no impact on the total net assets.