



FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

BIDEAWEE, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bideawee, Inc.

We have audited the accompanying financial statements of Bideawee, Inc., which comprise the statements of financial position as of September 30, 2013 and 2012, 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.

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 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 Bideawee, Inc. as of September 30, 2013 and 2012, 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.

Marks Paneth LLP

New York, NY
February 14, 2014



An independent member of
Morison International

BIDEAWEE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Notes 2B and 10A)	\$ 1,139,633	\$ 897,488
Bequests, legacies, and other receivables, net (Notes 2C and 3)	69,078	635,143
Inventory (Note 2D)	129,560	128,363
Prepaid expenses and other assets	103,144	85,042
Investments (Notes 2E, 2F, 4 and 9)	17,366,214	18,192,872
Property and equipment, net (Notes 2H and 5)	8,463,177	8,678,540
Beneficial interest in trusts (Notes 2K, 8 and 9)	593,959	661,710
TOTAL ASSETS	\$ 27,864,765	\$ 29,279,158
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 737,942	\$ 822,663
Capital lease obligations payable (Note 6)	30,989	5,850
TOTAL LIABILITIES	768,931	828,513
COMMITMENTS (Notes 6 and 11)		
NET ASSETS (Note 2I)		
Unrestricted		
Net investment in property and equipment	8,432,188	8,672,690
Available for operations	8,609,884	9,908,009
Total unrestricted	17,042,072	18,580,699
Temporarily restricted (Note 8)	144,452	144,975
Permanently restricted (Note 8)	9,909,310	9,724,971
TOTAL NET ASSETS	27,095,834	28,450,645
TOTAL LIABILITIES AND NET ASSETS	\$ 27,864,765	\$ 29,279,158

BIDEAWEE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	<u>For the Year Ended September 30, 2013</u>				<u>For the Year Ended September 30, 2012</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>
REVENUES, GAINS AND OTHER SUPPORT:								
Special events revenue	\$ 314,720	\$ -	\$ -	\$ 314,720	\$ 318,780	\$ -	\$ -	\$ 318,780
Less: costs of direct benefits to donors	<u>(82,141)</u>	<u>-</u>	<u>-</u>	<u>(82,141)</u>	<u>(85,526)</u>	<u>-</u>	<u>-</u>	<u>(85,526)</u>
Special events, net	232,579	-	-	232,579	233,254	-	-	233,254
Bequests and legacies (Notes 2C and 10B)	3,039,430	-	2,000	3,041,430	4,725,762	-	3,000	4,728,762
Contributions (Note 2C)	2,079,750	10,000	-	2,089,750	1,902,836	13,935	-	1,916,771
In-kind contributions (Note 2C)	106,604	-	-	106,604	33,931	-	-	33,931
Adoption Centers, Animal Hospitals, Loving Legacy and other fees	2,048,478	-	-	2,048,478	2,099,180	-	-	2,099,180
Cemetery maintenance fees (Note 2J)	250,840	-	250,090	500,930	263,468	-	145,747	409,215
Miscellaneous income	64,040	-	-	64,040	65,660	-	-	65,660
Investment income, net of investment fees (Notes 4 and 8)	751,815	-	-	751,815	1,321,678	-	-	1,321,678
Change in value of beneficial interest in split interest agreements (Note 2K)	-	-	(67,751)	(67,751)	-	-	128,906	128,906
Net assets released from restrictions (Note 8)	<u>10,523</u>	<u>(10,523)</u>	<u>-</u>	<u>-</u>	<u>13,895</u>	<u>(13,895)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>8,584,059</u>	<u>(523)</u>	<u>184,339</u>	<u>8,767,875</u>	<u>10,659,664</u>	<u>40</u>	<u>277,653</u>	<u>10,937,357</u>
EXPENSES:								
Program Services								
Adoption Centers	3,530,627	-	-	3,530,627	3,066,411	-	-	3,066,411
Animal Hospitals	2,073,747	-	-	2,073,747	2,022,154	-	-	2,022,154
Behavior, learning and volunteers	434,639	-	-	434,639	533,648	-	-	533,648
Memorial parks	1,046,677	-	-	1,046,677	1,010,810	-	-	1,010,810
Loving Legacy program	152,386	-	-	152,386	155,189	-	-	155,189
Total program services	<u>7,238,076</u>	<u>-</u>	<u>-</u>	<u>7,238,076</u>	<u>6,788,212</u>	<u>-</u>	<u>-</u>	<u>6,788,212</u>
Supporting Services:								
Management and general	1,110,865	-	-	1,110,865	1,490,863	-	-	1,490,863
Fundraising	1,773,745	-	-	1,773,745	1,796,676	-	-	1,796,676
Total supporting services	<u>2,884,610</u>	<u>-</u>	<u>-</u>	<u>2,884,610</u>	<u>3,287,539</u>	<u>-</u>	<u>-</u>	<u>3,287,539</u>
TOTAL EXPENSES	<u>10,122,686</u>	<u>-</u>	<u>-</u>	<u>10,122,686</u>	<u>10,075,751</u>	<u>-</u>	<u>-</u>	<u>10,075,751</u>
CHANGE IN NET ASSETS	(1,538,627)	(523)	184,339	(1,354,811)	583,913	40	277,653	861,606
Net assets, beginning of year	<u>18,580,699</u>	<u>144,975</u>	<u>9,724,971</u>	<u>28,450,645</u>	<u>17,996,786</u>	<u>144,935</u>	<u>9,447,318</u>	<u>27,589,039</u>
NET ASSETS - END OF YEAR	<u>\$ 17,042,072</u>	<u>\$ 144,452</u>	<u>\$ 9,909,310</u>	<u>\$ 27,095,834</u>	<u>\$ 18,580,699</u>	<u>\$ 144,975</u>	<u>\$ 9,724,971</u>	<u>\$ 28,450,645</u>

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

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With Comparative Totals for September 30, 2012)

	Program Services					Supporting Services			Total 2013	Total 2012	
	Adoption Centers	Animal Hospitals	Behavior, Learning, Volunteers	Memorial Parks	Loving Legacy Program	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 1,630,835	\$ 940,717	\$ 155,517	\$ 492,944	\$ 51,873	\$ 3,271,886	\$ 634,277	\$ 737,046	\$ 1,371,323	\$ 4,643,209	\$ 4,857,618
Payroll taxes and employee benefits (Note 7)	469,908	252,940	51,116	141,207	13,675	928,846	117,068	151,828	268,896	1,197,742	1,128,332
Salaries and Related Costs	2,100,743	1,193,657	206,633	634,151	65,548	4,200,732	751,345	888,874	1,640,219	5,840,951	5,985,950
Professional fees (Note 2C)	131,366	234,336	12,033	10,017	113	387,865	161,973	85,996	247,969	635,834	675,805
Medical supplies	167,951	280,481	-	-	-	448,432	-	-	-	448,432	417,880
PMP supplies	292	345	-	115,912	54	116,603	-	28	28	116,631	88,285
Pet supplies (Note 2C)	105,550	13,012	1,311	-	-	119,873	425	-	425	120,298	109,322
Occupancy	207,554	48,831	19,395	40,928	17,131	333,839	18,763	35,920	54,683	388,522	345,252
Repairs and maintenance	185,881	29,783	16,862	35,210	2,942	270,678	9,958	17,215	27,173	297,851	259,653
Non-cap software and hardware	944	7,387	368	7,476	-	16,175	3,252	1,232	4,484	20,659	21,009
Insurance	55,645	27,328	11,303	16,938	7,116	118,330	7,275	13,000	20,275	138,605	116,884
Staff development and dues	1,443	7,281	1,174	250	-	10,148	5,159	9,393	14,552	24,700	31,170
Travel	2,488	2,423	916	18,095	67	23,989	2,606	3,889	6,495	30,484	43,711
Telephone and network management	47,756	20,887	11,684	14,154	3,403	97,884	13,047	21,530	34,577	132,461	167,837
Meetings and seminars	1,785	462	1,898	82	-	4,227	7,361	3,447	10,808	15,035	17,330
Postage	5,531	6,086	1,059	19,713	11	32,400	5,842	74,178	80,020	112,420	103,612
Miscellaneous	34,605	14,500	3,725	8,435	-	61,265	2,591	4,901	7,492	68,757	145,051
Bank charges	3,532	31,825	178	11,795	-	47,330	8,585	33,076	41,661	88,991	83,678
Marketing, newsletter and publications (Note 2C)	220,235	80,628	88,580	48,228	-	437,671	66,320	422,613	488,933	926,604	707,005
Catering and entertainment (Note 2C)	852	326	-	150	-	1,328	179	127,957	128,136	129,464	123,015
Bad debt expense	300	1,170	-	35,639	-	37,109	-	649	649	37,758	102,134
Depreciation and amortization (Note 5)	256,174	72,999	57,520	29,504	56,001	472,198	46,184	111,988	158,172	630,370	616,694
Subtotal	3,530,627	2,073,747	434,639	1,046,677	152,386	7,238,076	1,110,865	1,855,886	2,966,751	10,204,827	10,161,277
Less: Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(82,141)	(82,141)	(82,141)	(85,526)
TOTAL EXPENSES	\$ 3,530,627	\$ 2,073,747	\$ 434,639	\$ 1,046,677	\$ 152,386	\$ 7,238,076	\$ 1,110,865	\$ 1,773,745	\$ 2,884,610	\$ 10,122,686	\$ 10,075,751

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

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Program Services					Supporting Services			Total 2012	
	Adoption Centers	Animal Hospitals	Behavior, Learning, Volunteers	Memorial Parks	Loving Legacy Program	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,579,163	\$ 1,035,497	\$ 269,388	\$ 528,052	\$ 48,887	\$ 3,460,987	\$ 666,180	\$ 730,451	\$ 1,396,631	\$ 4,857,618
Payroll taxes and employee benefits (Note 7)	<u>394,575</u>	<u>223,823</u>	<u>66,769</u>	<u>155,338</u>	<u>11,427</u>	<u>851,932</u>	<u>128,720</u>	<u>147,680</u>	<u>276,400</u>	<u>1,128,332</u>
Salaries and Related Costs	1,973,738	1,259,320	336,157	683,390	60,314	4,312,919	794,900	878,131	1,673,031	5,985,950
Professional fees (Note 2C)	52,206	173,527	28,954	16,576	5,324	276,587	273,060	126,158	399,218	675,805
Medical supplies	211,433	206,447	-	-	-	417,880	-	-	-	417,880
PMP supplies	-	-	-	88,285	-	88,285	-	-	-	88,285
Pet supplies (Note 2C)	82,995	26,007	187	-	-	109,189	103	30	133	109,322
Occupancy	146,840	42,205	19,017	42,471	16,153	266,686	32,733	45,833	78,566	345,252
Repairs and maintenance	108,981	31,988	13,646	42,888	4,746	202,249	25,027	32,377	57,404	259,653
Non-cap software and hardware	2,923	4,047	1,545	7,953	-	16,468	4,139	402	4,541	21,009
Insurance	27,475	19,958	11,237	17,129	7,227	83,026	14,821	19,037	33,858	116,884
Staff development and dues	929	8,626	355	887	61	10,858	10,195	10,117	20,312	31,170
Travel	7,219	5,479	2,255	13,844	1,062	29,859	6,709	7,143	13,852	43,711
Telephone and network management	54,479	27,400	14,158	15,872	3,672	115,581	21,082	31,174	52,256	167,837
Meetings and seminars	1,968	2,933	805	639	-	6,345	7,306	3,679	10,985	17,330
Postage	2,593	3,111	480	5,088	-	11,272	6,675	85,665	92,340	103,612
Miscellaneous	70,495	20,224	5,008	8,798	-	104,525	29,450	11,076	40,526	145,051
Bank charges	3,189	30,773	520	10,487	-	44,969	9,388	29,321	38,709	83,678
Marketing, newsletter and publications (Note 2C)	126,553	82,245	43,257	21,374	-	273,429	78,797	354,779	433,576	707,005
Catering and entertainment (Note 2C)	222	907	52	60	-	1,241	387	121,387	121,774	123,015
Bad debt expense	6,520	160	220	-	-	6,900	94,830	404	95,234	102,134
Depreciation and amortization (Note 5)	<u>185,653</u>	<u>76,797</u>	<u>55,795</u>	<u>35,069</u>	<u>56,630</u>	<u>409,944</u>	<u>81,261</u>	<u>125,489</u>	<u>206,750</u>	<u>616,694</u>
Subtotal	3,066,411	2,022,154	533,648	1,010,810	155,189	6,788,212	1,490,863	1,882,202	3,373,065	10,161,277
Less: Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(85,526)	(85,526)	(85,526)
TOTAL EXPENSES	<u>\$ 3,066,411</u>	<u>\$ 2,022,154</u>	<u>\$ 533,648</u>	<u>\$ 1,010,810</u>	<u>\$ 155,189</u>	<u>\$ 6,788,212</u>	<u>\$ 1,490,863</u>	<u>\$ 1,796,676</u>	<u>\$ 3,287,539</u>	<u>\$ 10,075,751</u>

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

BIDEAWEE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,354,811)	\$ 861,606
Donated stock (Note 2C)	(7,544)	(2,522,207)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	630,370	616,694
Bad debt expense	37,758	102,134
Permanently restricted cemetery maintenance fees	(250,090)	(145,747)
Unrealized loss (gain) on investments	19,834	(461,483)
Realized gain on investments	(366,278)	(389,614)
Subtotal	(1,290,761)	(1,938,617)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Bequests, legacies, and other receivables	528,307	1,253,303
Inventory	(1,197)	(24,246)
Prepaid expenses and other assets	(18,102)	(83,267)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and security deposits held	(84,721)	384,355
Net Cash Used in Operating Activities	(866,474)	(408,472)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,424,248)	(19,824,124)
Proceeds from investment sales	22,604,894	20,891,891
Purchases of property and equipment	(377,152)	(440,883)
Net Cash Provided by Investing Activities	803,494	626,884
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in value of beneficial interest in trusts	67,751	(128,906)
Permanently restricted cemetery maintenance fees	250,090	145,747
Principal repayments on capital lease obligations payable	(12,716)	(17,172)
Net Cash Provided by (Used in) Financing Activities	305,125	(331)
NET INCREASE IN CASH AND CASH EQUIVALENTS	242,145	218,081
Cash and cash equivalents - beginning of year	897,488	679,407
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,139,633	\$ 897,488
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,608	\$ 2,438
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Assets acquired through capital lease	\$ 37,855	\$ -

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

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Bideawee, Inc. ("Bideawee"), founded in 1903 by Flora D'Auby Jenkins, was established to provide temporary shelter and medical services to animals. Bideawee's mission is to cultivate and support the lifelong relationships between pets and the people who love them by providing a continuum of services and programs that are innovative, personalized and of high quality. Accordingly, at its sites in Manhattan, Wantagh and Westhampton, Bideawee administers various programs including: adoption centers; animal hospitals; animal training and behavior services; pet memorial parks; free or low-cost medical services for pets of owners in economic need; public educational programs; pet therapy to hospitalized children and elder adults in nursing homes and bereavement counseling to individuals who have lost pets.

Bideawee has been determined to be a public charity as defined in Section 501(c)(3) of the Internal Revenue Service Code, and as such, is exempt from federal income taxes under Section 501(a) and state taxes under similar provisions. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** – Bideawee's financial statements have been prepared on the accrual basis of accounting. Bideawee adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. **Cash and Cash Equivalents** – Bideawee considers highly liquid investments acquired with a maturity of three months or less to be cash and cash equivalents except for any cash and equivalents that are maintained in Bideawee's investment portfolio.
- C. **Support and Receivables** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, if material. The discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution income. Donated securities acquired by gift or bequest are recorded at their fair market value on the date received and it is Bideawee's policy to sell upon receipt. Conditional promises to give are not included as support until the conditions are substantially met. Bideawee is the beneficiary of bequests and legacies under various wills, the ultimate realization of which is not always readily determinable. Such amounts are recorded by Bideawee when the proceeds are measurable and an irrevocable right to the proceeds has been established by Bideawee.

As of September 30, 2013 and 2012, Bideawee determined that an allowance for uncollectible accounts of \$339,307 and \$314,071, respectively, was necessary. This determination was based on a combination of factors such as the aged basis of the receivables, review of individual accounts outstanding as well as review of the current available information.

During the years ended September 30, 2013 and 2012, Bideawee received \$106,604 and \$33,931, respectively, of contributions in-kind that are reported as contributions and expenses in the accompanying statements of activities and functional expenses. Donated services are recognized at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Bideawee receives donated services from a variety of unpaid volunteers assisting Bideawee in its charitable programs. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

- D. **Inventory** – Inventory consists of food, drugs and other pet supplies. Inventory is valued at the lower of cost or market.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. **Investments** – Investments are reported at fair value. Investment income, including realized and unrealized gains and losses, is classified as increase in unrestricted net assets, unless there are restrictions that have been imposed by donors or other outside parties.
- F. **Fair Value** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 4.
- G. **Memorial Parks** – Bideawee is the owner of land designated for use as memorial parks. Under agreements, patrons have been granted a perpetual right to use the land, provided certain conditions are met. These memorial parks are subject to the State of New York guidelines for operation of pet cemeteries.
- H. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Bideawee capitalizes property and equipment with a cost basis of \$1,000 or higher and a useful life of greater than one year.
- I. **Net Assets** – Bideawee maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of Bideawee's operations over which the Board of Directors has discretionary control.
 - Temporarily Restricted – represents resources resulting from contributions and other inflows of assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Bideawee pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statements of activities as net assets released from restrictions. Bideawee reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.
 - Permanently Restricted – represents resources subject to donor imposed stipulations that they be maintained intact in perpetuity. The donor permits the use of all the income on related investments and the net capital appreciation thereon, for restricted purposes.
- J. **Memorial Park Maintenance Fees** – The one-time perpetual maintenance fee is maintained in permanently restricted net assets in accordance with applicable State of New York legislation. The regular maintenance special care fees received during the year are reflected as unrestricted memorial park maintenance fees in the accompanying statements of activities.
- K. **Split-Interest Agreements** – Bideawee's split-interest agreements with donors consist primarily of perpetual trusts and irrevocable charitable remainder unitrusts held by third parties. Under the term of the perpetual trusts, Bideawee has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Charitable remainder unitrust gifts are time-restricted contributions not available to Bideawee until after the death of the donor and other beneficiaries, who, while living, receive payouts from the trust based on a fixed percentage of the market value of the invested funds each year as stated in the trust agreements. The trust agreements, in certain instances, allow for the beneficiaries to receive additional distributions, which may substantially reduce the value of expected future cash receipts.

Bideawee recognizes as assets and contributions to permanently restricted net assets, the fair value of the trusts based on the present value of the estimated expected future cash receipts from the trusts' assets. The carrying value of the assets is adjusted to fair value at the end of the year. Distributions received by Bideawee are either unrestricted for general purposes or restricted based upon donor imposed stipulations.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. **Functional Allocation of Expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- M. **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 reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- N. Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

NOTE 3 – BEQUESTS, LEGACIES AND OTHER RECEIVABLES

Bequests, legacies and other receivables consist of the following as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Amount due in less than one year:		
Bequests and legacies	\$ 3,063	\$ 597,031
Other receivables	<u>405,322</u>	<u>352,183</u>
	408,385	949,214
Less: allowance for uncollectible amounts	<u>(339,307)</u>	<u>(314,071)</u>
	<u>\$ 69,078</u>	<u>\$ 635,143</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Money market funds	\$ 11,095,693	\$ 694,400
Equity securities	-	4,297,927
Mortgage backed securities	-	128,703
U.S. Treasury notes	-	6,035,071
Corporate obligations	-	4,925,492
Mutual funds	<u>6,270,521</u>	<u>2,111,279</u>
	<u>\$ 17,366,214</u>	<u>\$ 18,192,872</u>

Investments are subject to market volatility that could change their carrying value in the near term. Investment decisions are made and monitored by Bideawee's Finance Committee. The investment managers are also the custodians of these accounts. Bideawee records investment transactions based on the trade date. Bideawee has a high concentration of investments in mutual funds at September 30, 2013 due to investments being liquidated toward the end of the fiscal year ended September 30, 2013 and transferred to a new investment manager.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – INVESTMENTS (Continued)

Investment income consists of the following for the years ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 521,705	\$ 528,184
Realized gain on investment	366,278	389,614
Unrealized (loss) gain on investment	(19,834)	461,483
Investment fees	<u>(116,334)</u>	<u>(57,603)</u>
	<u>\$ 751,815</u>	<u>\$ 1,321,678</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Land	\$ 126,080	\$ 126,080	
Buildings and improvements	16,223,712	15,928,962	10-40 years
Office equipment, furniture and vehicles	<u>1,389,258</u>	<u>1,666,284</u>	5-20 years
	17,739,050	17,721,326	
Less: accumulated depreciation	<u>(9,275,873)</u>	<u>(9,042,786)</u>	
	<u>\$ 8,463,177</u>	<u>\$ 8,678,540</u>	

Depreciation expense amounted to \$630,370 and \$616,692 (including \$12,528 and \$17,230, respectively, on capital leased equipment) for the years ended September 30, 2013 and 2012, respectively. During the years ended September 30, 2013 and 2012, Bideawee wrote off certain fully depreciated fixed assets no longer in use amounting to \$397,283 and \$154,278, respectively.

NOTE 6 – CAPITAL LEASE OBLIGATIONS PAYABLE

Certain long-term leases for office equipment are classified as capital leases. Accordingly, such equipment is capitalized and depreciated on a straight-line basis over the life of the lease. The corresponding obligation under the capital leases represents the present value of the rental payments discounted by the interest rate implicit in the lease agreements. Such rate is approximately 5.25%. Minimum future lease payments subsequent to September 30, 2013 are as follows:

2014	\$ 10,152
2015	10,152
2016	6,579
2017	5,388
2018	<u>2,694</u>
Total minimum lease payments	34,965
Less: amounts representing interest	<u>(3,976)</u>
	<u>\$ 30,989</u>

BIDEAWEE, INC.
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NOTE 7 – RETIREMENT PLAN

Bideawee maintains a defined contribution retirement plan covering all eligible employees. Under the retirement plan, each employee who is regularly scheduled to perform services for Bideawee, on at least a part-time basis, may participate on the first entry date after six months of service. Participants may contribute up to 5% of their salaries, on a before tax-basis, which amount will be matched by Bideawee. Participants can make additional contributions, which cannot exceed the IRS limit as defined in the regulations and which are unmatched by Bideawee.

Each participant is fully vested after five years in all contributions made on that participant's behalf. Bideawee's expenses related to the employee retirement plan amounted to \$140,142 and \$118,651 for the years ended September 30, 2013 and 2012, respectively.

NOTE 8 – RESTRICTED NET ASSETS

Net assets of \$10,523 and \$13,895 were released from restrictions during the years ended September 30, 2013 and 2012, respectively, by incurring program expenses. Temporarily restricted net assets as of September 30, 2013 and 2012, respectively, are restricted by donors for the following purposes:

	2013	2012
Veterinary Medical Assistance Fund	\$ 3,451	\$ 3,975
Restricted for future operations	141,000	141,000
	\$ 144,451	\$ 144,975

As of September 30, 2013 and 2012, permanently restricted net assets consisted of the following:

Endowment funds - restricted as to principal, with current income available for general purposes of Bideawee. The funds are as follows:

	2013	2012
A.T. Jones	\$ 880,000	\$ 880,000
M.B. Scanion	179,795	179,795
J.B. Merrill	30,000	30,000
E. Blashfield	10,875	10,875
A. Allen	5,474	5,474
T. Richter	5,000	3,000
	1,111,144	1,109,144
Cemetery, perpetual care and maintenance fund - restricted as to principal, with current income available for the general purpose of Bideawee after deducting for the costs of the perpetual care and maintenance	8,204,207	7,954,117
	9,315,351	9,063,261
Beneficial interest in perpetual trust	471,208	521,415
Beneficial interest in charitable remainder trusts	122,751	140,295
	\$ 9,909,310	\$ 9,724,971

BIDEAWEE, INC.
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NOTE 8 – RESTRICTED NET ASSETS (Continued)

Bideawee recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaced the prior law, which was the Uniform Management of Institutional Funds Act (“UMIFA”). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7 percent of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. Bideawee’s Board of Directors has appropriated all earnings as of and for the years ended September 30, 2013 and 2012, whether deemed spent or not, as unrestricted.

Bideawee’s Board has interpreted NYPMIFA as allowing Bideawee to appropriate for expenditure or accumulate so much of an endowment fund as Bideawee determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor restricted funds that fall below the level the donor requires Bideawee to retain in perpetuity. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted fund where the fair value of the donor restricted fund fell below the amount that is required to be retained permanently. As of September 30, 2013 and 2012, Bideawee had not incurred a deficiency in its donor-restricted endowment funds.

Bideawee’s endowment investment policy is to invest primarily in a mix of equities and fixed-income securities based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. Bideawee 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).

Changes in endowment net assets for the years ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Investment earnings on endowment funds	\$ 476,409	\$ 687,125
Earnings appropriated for expenditures	(476,409)	(687,125)
Cemetery maintenance fees received	<u>250,090</u>	<u>145,747</u>
Total change in endowment net assets	250,090	145,747
Endowment net assets, beginning of year	<u>9,060,261</u>	<u>8,914,514</u>
Endowment net assets, end of year	<u>\$ 9,310,351</u>	<u>\$ 9,060,261</u>

Endowment net assets are included with investments on the accompanying statements of financial position as of September 30, 2013 and 2012.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Bideawee to retain as a fund of perpetual duration. In accordance with Bideawee’s policy noted at Note 21, deficiencies of this nature are reported in either restricted or unrestricted net assets.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – FAIR VALUE MEASUREMENT

The fair value hierarchy defines three levels as follows:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities based on unobservable inputs that are significant to the fair value measurement. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, Bideawee utilizes valuation techniques that maximize the use of observable inputs, such as prices and other relevant information generated by market transactions involving identical or comparable assets (“market approach”), and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2013 and 2012.

Money market funds:

Money market funds are valued at the net asset value (“NAV”) at a constant \$1.00 per share, of which, only the yield goes up and down.

Federal mortgage backed securities, municipal obligations, U.S. Treasury Notes, and corporate bonds:

Federal mortgage backed securities, municipal obligations, U.S. Treasury Notes, and corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded.

Mutual funds:

Mutual funds are valued at quoted market prices determined in an active market.

Beneficial interest in trusts:

Beneficial interest in trusts are valued based on three methods:

- Bideawee’s percentage interest in the trust, using the most recent valuation available as of year end.
- Bideawee’s percentage interest in the trust, using the most recent valuation available as of year end, less a 50% reduction based on management’s estimates due to allowed invasions within the trust.
- A weighted average calculation based on the five-year historical income from the trust, less a 25% reduction for uncertainty in future earnings based on management’s estimate.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – FAIR VALUE MEASUREMENT (Continued)

Financial assets measured at fair value on a recurring basis as of September 30, 2013 are presented in the table by fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total 2013</u>
Money market funds	\$11,095,693	\$ -	\$11,095,693
Mutual funds:			
Domestic – fixed income	3,773,844	-	3,773,844
Domestic – equities	1,602,479	-	1,602,479
International – equities	894,198	-	894,198
Beneficial interest in trusts	<u>-</u>	<u>593,959</u>	<u>593,959</u>
Investments at Fair Value	<u>\$17,366,214</u>	<u>\$ 593,959</u>	<u>\$17,960,173</u>

Financial assets measured at fair value on a recurring basis as of September 30, 2012 are presented in the table by fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total 2012</u>
Money market funds	\$ 694,400	\$ -	\$ 694,400
Equity securities:			
Healthcare	639,931	-	639,931
Consumer staples	462,106	-	462,106
Information technology	838,641	-	838,641
Consumer discretionary	432,921	-	432,921
Industrials	372,850	-	372,850
Materials	166,512	-	166,512
Financials	500,052	-	500,052
Telecommunication services	127,728	-	127,728
Utilities	63,816	-	63,816
Energy	362,447	-	362,447
International equities	71,003	-	71,003
Mortgage backed securities	128,703	-	128,703
Government obligations - Federal	6,035,071	-	6,035,071
Corporate bonds	4,925,492	-	4,925,492
Mutual funds:			
Domestic – fixed income	1,189,659	-	1,189,659
International – fixed income	921,620	-	921,620
Domestic – equities	259,920	-	259,920
Beneficial interest in trusts	<u>-</u>	<u>661,710</u>	<u>661,710</u>
Investments at Fair Value	<u>\$18,192,872</u>	<u>\$ 661,710</u>	<u>\$18,854,582</u>

Bideawee recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

Fair value for the beneficial interest in trusts is measured using the fair value of the assets held in trusts as reported by the trustee as of September 30, 2013. The fair value for these trusts was transferred from a Level 2 measurement to Level 3 during the year ended September 30, 2012 after Bideawee evaluated the terms of the trust agreement and considered the current practice among other similar nonprofit entities for classifying beneficial interests in trusts. Bideawee considers the measurement of its beneficial interest in trusts to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values of the trust assets reported by the trustee, Bideawee will never receive those assets or have the ability to direct the trustee to redeem them.

BIDEAWEE, INC.
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NOTE 9 – FAIR VALUE MEASUREMENT (Continued)

The table below presents information about fair value measurements that use significant unobservable inputs (level 3):

Balance - October 1, 2012	\$ 661,710
Total gains or losses recognized in the change in permanently restricted net assets – change in value of perpetual trust	<u>(67,751)</u>
Balance - September 30, 2013	<u>\$ 593,959</u>

The Board of Directors reviews and approves Bideawee's fair value measurement policies and procedures annually. At least annually, the audit committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

NOTE 10 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject Bideawee to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Through December 31, 2012, non-interest bearing accounts were fully insured. Beginning in 2013, non-interest bearing accounts are insured the same as interest bearing accounts, which are insured up to \$250,000 per depositor. As of September 30, 2013 and 2012, there was approximately \$831,000 and \$404,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.
- B. During the year ended September 30, 2012, Bideawee received a bequest of \$2,500,817 from one individual, which represented approximately 23% of total revenue for the year ended September 30, 2012.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

- A. Bideawee has no uncertain tax positions as of September 30, 2013 and 2012 in accordance with Accounting Standards Codification ("ASC") Topic 740 ("Income Taxes"), which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Bideawee is no longer subject to federal or state and local tax examinations by tax authorities for fiscal years before 2010.
- B. From time to time, Bideawee may have certain commitment and contingent liabilities that arise in the ordinary course of its business. Bideawee accrues contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. In the opinion of management, there are no pending claims of which the outcome is expected to result in a material adverse effect on the financial statements of Bideawee.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 14, 2014, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through February 14, 2014 that would require adjustment to or disclosure in the financial statements.