



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended September 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

BIDEAWEE, INC.

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

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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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., ("Bideawee") which comprise the statements of financial position as of September 30, 2017 and 2016, 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 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 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 as of September 30, 2017 and 2016, 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 9, 2018

BIDEAWEE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2B and 10A)	\$ 1,498,735	\$ 1,670,352
Bequests, legacies, and other receivables, net (Notes 2C and 3)	1,070,702	141,399
Inventory (Note 2D)	190,754	202,765
Investments (Notes 2E, 2F, 4 and 9)	16,554,243	15,915,052
Prepaid expenses and other assets	184,153	129,477
Property and equipment, net (Notes 2H and 5)	6,639,510	7,197,519
Beneficial interest in trusts (Notes 2L, 8 and 9)	931,812	833,413
TOTAL ASSETS	\$ 27,069,909	\$ 26,089,977
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 748,338	\$ 566,551
Deferred revenue (Note 2I)	11,610	-
Capital lease obligations payable (Note 6)	9,562	19,944
TOTAL LIABILITIES	769,510	586,495
COMMITMENTS AND CONTINGENCIES (Notes 6 and 11)		
NET ASSETS (Notes 2J and 8)		
Unrestricted		
Available for operations	7,760,946	7,398,875
Net investment in property and equipment	6,629,948	7,177,575
Total unrestricted	14,390,894	14,576,450
Temporarily restricted (Note 8)	916,368	167,891
Permanently restricted (Note 8)	10,993,137	10,759,141
TOTAL NET ASSETS	26,300,399	25,503,482
TOTAL LIABILITIES AND NET ASSETS	\$ 27,069,909	\$ 26,089,977

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

BIDEAWEE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>For the Year Ended September 30, 2017</u>				<u>For the Year Ended September 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
REVENUES, GAINS AND OTHER SUPPORT:								
Special events revenue	\$ 655,511	\$ -	\$ -	\$ 655,511	\$ 513,089	\$ -	\$ -	\$ 513,089
Less: costs of direct benefits to donors	<u>(122,492)</u>	<u>-</u>	<u>-</u>	<u>(122,492)</u>	<u>(101,407)</u>	<u>-</u>	<u>-</u>	<u>(101,407)</u>
Special events, net	533,019	-	-	533,019	411,682	-	-	411,682
Bequests and legacies (Notes 2C and 10B)	4,567,620	-	-	4,567,620	4,592,847	-	-	4,592,847
Contributions (Note 2C)	2,193,131	171,662	-	2,364,793	1,586,848	153,586	1,000	1,741,434
In-kind contributions (Note 2C)	67,327	-	-	67,327	16,567	-	-	16,567
Adoption Centers, Animal Hospitals, Loving Legacy and other fees	2,165,716	-	-	2,165,716	2,405,983	-	-	2,405,983
Cemetery maintenance fees (Note 2K)	227,916	-	135,597	363,513	244,298	-	156,256	400,554
Miscellaneous income	52,469	-	-	52,469	91,919	-	-	91,919
Investment income, net of investment fees (Notes 4 and 8)	166,852	1,036,575	-	1,203,427	272,883	830,687	-	1,103,570
Change in value of beneficial interest in split interest agreements (Note 2L)	-	-	98,399	98,399	-	-	(13,203)	(13,203)
Net assets released from restrictions (Note 8)	<u>459,760</u>	<u>(459,760)</u>	<u>-</u>	<u>-</u>	<u>561,100</u>	<u>(561,100)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>10,433,810</u>	<u>748,477</u>	<u>233,996</u>	<u>11,416,283</u>	<u>10,184,127</u>	<u>423,173</u>	<u>144,053</u>	<u>10,751,353</u>
EXPENSES:								
Program Services								
Adoption Centers	3,780,836	-	-	3,780,836	3,506,871	-	-	3,506,871
Animal Hospitals	2,202,877	-	-	2,202,877	2,293,449	-	-	2,293,449
Behavior, learning and volunteers	494,339	-	-	494,339	498,756	-	-	498,756
Memorial parks	1,017,563	-	-	1,017,563	1,050,460	-	-	1,050,460
Loving Legacy	89,283	-	-	89,283	75,202	-	-	75,202
Total program services	<u>7,584,898</u>	<u>-</u>	<u>-</u>	<u>7,584,898</u>	<u>7,424,738</u>	<u>-</u>	<u>-</u>	<u>7,424,738</u>
Supporting Services:								
Management and general	1,295,186	-	-	1,295,186	1,263,549	-	-	1,263,549
Fundraising	1,739,282	-	-	1,739,282	1,392,447	-	-	1,392,447
Total supporting services	<u>3,034,468</u>	<u>-</u>	<u>-</u>	<u>3,034,468</u>	<u>2,655,996</u>	<u>-</u>	<u>-</u>	<u>2,655,996</u>
TOTAL EXPENSES	<u>10,619,366</u>	<u>-</u>	<u>-</u>	<u>10,619,366</u>	<u>10,080,734</u>	<u>-</u>	<u>-</u>	<u>10,080,734</u>
Reclassification of temporarily restricted net assets (Note 8)	-	-	-	-	402,388	(402,388)	-	-
CHANGE IN NET ASSETS	(185,556)	748,477	233,996	796,917	505,781	20,785	144,053	670,619
Net assets, beginning of year	<u>14,576,450</u>	<u>167,891</u>	<u>10,759,141</u>	<u>25,503,482</u>	<u>14,070,669</u>	<u>147,106</u>	<u>10,615,088</u>	<u>24,832,863</u>
NET ASSETS - END OF YEAR	<u>\$ 14,390,894</u>	<u>\$ 916,368</u>	<u>\$ 10,993,137</u>	<u>\$ 26,300,399</u>	<u>\$ 14,576,450</u>	<u>\$ 167,891</u>	<u>\$ 10,759,141</u>	<u>\$ 25,503,482</u>

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

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(With Comparative Totals for 2016)

	For the Year Ended September 30, 2017											
	Program Services					Supporting Services					Total 2017	Total 2016
	Adoption Centers	Animal Hospitals	Behavior, Learning, Volunteers	Memorial Parks	Loving Legacy Program	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 1,671,354	\$ 1,110,082	\$ 251,032	\$ 471,785	\$ 10,056	\$ 3,514,309	\$ 819,711	\$ 635,725	\$ 1,455,436	\$ 4,969,745	\$ 4,737,856	
Payroll taxes and employee benefits (Note 7)	545,660	300,256	71,343	182,913	1,442	1,101,614	139,520	130,493	270,013	1,371,627	1,309,274	
Salaries and Related Costs	2,217,014	1,410,338	322,375	654,698	11,498	4,615,923	959,231	766,218	1,725,449	6,341,372	6,047,130	
Professional fees (Note 2C)	194,490	112,252	9,123	8,791	-	324,656	162,140	84,500	246,640	571,296	497,683	
Medical supplies	222,518	335,490	-	-	-	558,008	-	-	-	558,008	535,404	
Pet memorial park supplies	-	-	-	97,580	-	97,580	-	-	-	97,580	113,771	
Pet supplies (Note 2C)	120,887	13,962	692	-	-	135,541	-	-	-	135,541	142,527	
Occupancy	194,733	59,148	17,656	35,088	5,423	312,048	19,290	24,294	43,584	355,632	346,858	
Repairs and maintenance (Note 2C)	158,680	42,704	16,339	32,246	2,327	252,296	12,762	16,051	28,813	281,109	299,359	
Non-cap software and hardware	4,656	3,842	3,495	8,966	1	20,960	3,032	6,623	9,655	30,615	21,650	
Insurance	78,419	27,494	14,739	19,227	8,797	148,676	11,023	13,670	24,693	173,369	172,967	
Staff development and dues	5,335	8,243	2,352	243	36	16,209	2,263	16,750	19,013	35,222	33,076	
Travel	24,588	5,127	1,970	20,537	92	52,314	7,420	5,100	12,520	64,834	49,947	
Telephone and network management	37,062	33,259	9,788	10,351	414	90,874	15,864	14,799	30,663	121,537	129,182	
Meetings and seminars	5,280	2,546	3,050	1,473	87	12,436	5,829	3,852	9,681	22,117	24,133	
Postage	934	1,853	1,309	4,041	9	8,146	1,203	112,856	114,059	122,205	99,699	
Miscellaneous	69,592	22,793	7,961	16,332	89	116,767	9,155	9,127	18,282	135,049	102,802	
Bank charges	4,382	31,405	32	10,332	-	46,151	7,479	36,422	43,901	90,052	89,418	
Marketing, newsletter and publications	176,460	14,751	23,984	16,432	13,000	244,627	40,235	423,340	463,575	708,202	563,608	
Catering and entertainment (Note 2C)	-	-	-	-	-	-	-	217,885	217,885	217,885	190,704	
Bad debt expense	350	589	-	55,939	-	56,878	-	8,978	8,978	65,856	68,443	
Depreciation (Note 5)	265,456	77,081	59,474	25,287	47,510	474,808	38,260	101,309	139,569	614,377	653,780	
Subtotal	3,780,836	2,202,877	494,339	1,017,563	89,283	7,584,898	1,295,186	1,861,774	3,156,960	10,741,858	10,182,141	
Less: Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(122,492)	(122,492)	(122,492)	(101,407)	
TOTAL EXPENSES	\$ 3,780,836	\$ 2,202,877	\$ 494,339	\$ 1,017,563	\$ 89,283	\$ 7,584,898	\$ 1,295,186	\$ 1,739,282	\$ 3,034,468	\$ 10,619,366	\$ 10,080,734	

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

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Services					Supporting Services			Total 2016	
	Adoption Centers	Animal Hospitals	Behavior, Learning, Volunteers	Memorial Parks	Loving Legacy Program	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 1,638,750	\$ 1,103,175	\$ 237,673	\$ 449,239	\$ 9,143	\$ 3,437,980	\$ 776,663	\$ 523,213	\$ 1,299,876	\$ 4,737,856
Payroll taxes and employee benefits (Note 7)	519,942	304,717	65,371	177,551	1,271	1,068,852	129,376	111,046	240,422	1,309,274
Salaries and Related Costs	2,158,692	1,407,892	303,044	626,790	10,414	4,506,832	906,039	634,259	1,540,298	6,047,130
Professional fees (Note 2C)	109,521	123,896	15,111	13,904	90	262,522	183,116	52,045	235,161	497,683
Medical supplies	162,637	372,767	-	-	-	535,404	-	-	-	535,404
Pet memorial park supplies	405	-	-	113,366	-	113,771	-	-	-	113,771
Pet supplies (Note 2C)	130,023	12,504	-	-	-	142,527	-	-	-	142,527
Occupancy	188,323	58,478	17,726	35,106	4,781	304,414	20,631	21,813	42,444	346,858
Repairs and maintenance	169,050	46,852	16,846	34,684	1,930	269,362	14,323	15,674	29,997	299,359
Non-cap software and hardware	3,762	3,334	2,591	8,533	-	18,220	2,408	1,022	3,430	21,650
Insurance	78,616	27,138	15,032	19,591	8,774	149,151	11,742	12,074	23,816	172,967
Staff development and dues	4,755	6,924	882	132	30	12,723	5,244	15,109	20,353	33,076
Travel	9,479	4,758	2,438	24,368	58	41,101	5,420	3,426	8,846	49,947
Telephone and network management	39,280	36,789	10,113	11,798	412	98,392	15,923	14,867	30,790	129,182
Meetings and seminars	3,183	4,928	3,205	574	126	12,016	7,989	4,128	12,117	24,133
Postage	5,711	2,177	2,493	6,634	9	17,024	1,589	81,086	82,675	99,699
Miscellaneous	46,612	22,871	8,223	11,844	213	89,763	3,622	9,417	13,039	102,802
Bank charges	4,466	35,429	28	10,530	-	50,453	7,939	31,026	38,965	89,418
Marketing, newsletter and publications (Note 2C)	124,404	41,980	36,017	31,710	-	234,111	28,761	300,736	329,497	563,608
Catering and entertainment (Note 2C)	-	-	-	-	-	-	-	190,704	190,704	190,704
Bad debt expense	-	19	-	68,424	-	68,443	-	-	-	68,443
Depreciation (Note 5)	267,952	84,713	65,007	32,472	48,365	498,509	48,803	106,468	155,271	653,780
Subtotal	3,506,871	2,293,449	498,756	1,050,460	75,202	7,424,738	1,263,549	1,493,854	2,757,403	10,182,141
Less: Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(101,407)	(101,407)	(101,407)
TOTAL EXPENSES	\$ 3,506,871	\$ 2,293,449	\$ 498,756	\$ 1,050,460	\$ 75,202	\$ 7,424,738	\$ 1,263,549	\$ 1,392,447	\$ 2,655,996	\$ 10,080,734

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

BIDEAWEE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 796,917	\$ 670,619
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	614,377	653,780
Bad debt expense	65,856	68,443
Permanently restricted cemetery maintenance fees	(135,597)	(156,256)
Permanently restricted contributions	-	(1,000)
Loss on disposal of property and equipment	2,157	-
Unrealized gain on investments	(433,222)	(837,058)
Realized (gain) loss on investments	(348,150)	99,613
Subtotal	562,338	498,141
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Bequests, legacies, and other receivables	(995,159)	(118,942)
Inventory	12,011	(18,853)
Prepaid expenses and other assets	(54,676)	(22,831)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and other liabilities	181,787	(189,910)
Deferred revenue	11,610	-
Net Cash (Used in) Provided by Operating Activities	(282,089)	147,605
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,062,924)	(5,258,309)
Proceeds from investment sales	4,205,105	5,885,968
Purchases of property and equipment	(58,525)	(255,104)
Net Cash Provided by Investing Activities	83,656	372,555
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in value of beneficial interest in trusts	(98,399)	13,203
Permanently restricted cemetery maintenance fees	135,597	156,256
Permanently restricted contributions	-	1,000
Principal repayments on capital lease obligations payable	(10,382)	(10,356)
Net Cash Provided by Financing Activities	26,816	160,103
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(171,617)	680,263
Cash and cash equivalents - beginning of year	1,670,352	990,089
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,498,735	\$ 1,670,352
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 2,168	\$ 2,168
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Assets acquired through capital lease	\$ -	\$ 13,526

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

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Bideawee, Inc. (“Bideawee”), founded in 1903 by Flora D’Auby Jenkins Kibbe, 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, 2017 and 2016, Bideawee determined that an allowance for uncollectible accounts of \$308,434 and \$295,550, 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, 2017 and 2016, Bideawee received \$67,327 and \$16,567, 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, 2017 AND 2016

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 9.
- 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 \$2,500 or higher and a useful life of greater than three years.
- I. **Deferred Revenue** – Cash received in advance of special events that are to be held are recorded as deferred revenue.
- J. **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.
 - 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.
- K. **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.
- L. **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 terms 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, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- M. **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.
- N. **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.

NOTE 3 – BEQUESTS, LEGACIES AND OTHER RECEIVABLES, NET

Bequests, legacies and other receivables consist of the following as of September 30, 2017 and 2016:

	2017	2016
Amount due in less than one year:		
Bequests and legacies	\$ 899,079	\$ 56,904
Other receivables	480,057	380,045
	1,379,136	436,949
Less: allowance for uncollectible amounts	(308,434)	(295,550)
	\$ 1,070,702	\$ 141,399

NOTE 4 – INVESTMENTS

Investments consist of the following as of September 30, 2017 and 2016:

	2017	2016
Money market funds	\$ 289,893	\$ 1,333,702
Mutual funds	16,264,350	14,581,350
	\$ 16,554,243	\$ 15,915,052

Investments are subject to market volatility that could change their carrying value in the near term. Investment decisions are made in accordance with Bideawee's investment policy. The investment managers are also the custodians of these accounts. Bideawee records investment transactions based on the trade date.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 4 – INVESTMENTS (Continued)

Investment income consists of the following for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 491,191	\$ 436,000
Realized gain (loss) on investments	348,150	(99,613)
Unrealized gain on investments	433,222	837,058
Investment fees	<u>(69,136)</u>	<u>(69,875)</u>
	<u>\$ 1,203,427</u>	<u>\$ 1,103,570</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following as of September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 126,080	\$ 126,080	
Buildings and improvements	16,417,068	16,364,263	10-40 years
Office equipment, furniture and vehicles	1,703,281	1,710,479	5-20 years
Construction in Progress	<u>4,190</u>	<u>8,625</u>	
	18,250,619	18,209,447	
Less: accumulated depreciation	<u>(11,611,109)</u>	<u>(11,011,928)</u>	
	<u>\$ 6,639,510</u>	<u>\$ 7,197,519</u>	

Depreciation expense amounted to \$614,377 and \$653,780 (including \$10,922 and \$9,415, respectively, on capital leased equipment) for the years ended September 30, 2017 and 2016, respectively. During the year ended September 30, 2017, Bideawee disposed of certain fixed assets no longer in use amounting to \$17,353 resulting a loss from disposal of \$2,157.

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 rates range from 5.25% to 5.5%. Minimum future lease payments subsequent to September 30, 2017 are as follows:

2018	\$ 8,318
2019	<u>2,810</u>
Total minimum lease payments	11,128
Less: amounts representing interest	<u>(1,566)</u>
	<u>\$ 9,562</u>

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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 \$146,661 and \$139,902 for the years ended September 30, 2017 and 2016, respectively.

NOTE 8 – RESTRICTED NET ASSETS

Net assets of \$459,760 and \$561,100 were released from restrictions during the years ended September 30, 2017 and 2016, respectively, by incurring program expenses. \$402,388 of endowment fund deficiency from the year ended September 30, 2015 was reclassified to temporarily restricted net assets during the year ended September 30, 2016.

Temporarily restricted net assets as of September 30, 2017 and 2016, are restricted by donors for the following purposes:

	2017	2016
Purpose restricted:		
Veterinary Medical Assistance Fund	\$ 25,971	\$ 31,812
Adoption Center	55,303	7,400
Joe Garrison Memorial	8,435	-
Restricted for future operations	1,000	1,000
Unappropriated endowment earnings	819,189	127,679
Other	6,470	-
	\$ 916,368	\$ 167,891

As of September 30, 2017 and 2016, 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:

	2017	2016
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	17,375	17,375
Vandivert	140,000	140,000
	1,263,519	1,263,519

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 8 – RESTRICTED NET ASSETS (Continued)

	2017	2016
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	8,797,806	8,662,209
	10,061,325	9,925,728
Beneficial interest in perpetual trust	906,571	809,606
Beneficial interest in charitable remainder trusts	25,241	23,807
	\$ 10,993,137	\$ 10,759,141

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 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.

Funds functioning as endowments include perpetual care funds. These funds are invested for long-term appreciation and current income. Perpetual care funds are reported as permanently restricted net assets, and investment earnings on these funds are reported as temporarily restricted net assets for the perpetual care and maintenance of the pet cemetery.

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, 2017 and 2016, 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).

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 8 – RESTRICTED NET ASSETS (Continued)

The following table summarizes donor-restricted endowment activities of Bideawee for the year ended September 30, 2017:

	Donor-Restricted Endowment Funds		
	Temporarily Restricted	Permanently Restricted	Total
Investment earnings	\$ 133,981	\$ -	\$ 133,981
Appropriation for expenditure	(44,601)	-	(44,601)
Total endowment activity	89,380	-	89,380
Endowment net assets, beginning of year	16,503	1,263,519	1,280,022
Endowment net assets, end of year	\$ 105,883	\$ 1,263,519	\$ 1,369,402

The following table summarizes donor-restricted endowment activities of Bideawee for the year ended September 30, 2016:

	Donor-Restricted Endowment Funds		
	Temporarily Restricted	Permanently Restricted	Total
Investment earnings	\$ 107,362	\$ -	\$ 107,362
Contributions	-	1,000	1,000
Appropriation for expenditure	(38,853)	-	(38,853)
Total endowment activity	68,509	1,000	69,509
Endowment net assets, beginning of year	(52,006)	1,262,519	1,210,513
Endowment net assets, end of year	\$ 16,503	\$ 1,263,519	\$ 1,280,022

The following table summarizes funds functioning as endowment activities of Bideawee for the year ended September 30, 2017:

	Funds Functioning as Endowments		
	Temporarily Restricted	Permanently Restricted	Total
Investment earnings	\$ 902,594	\$ -	\$ 902,594
Cemetery maintenance fees received	-	135,597	135,597
Appropriation for expenditure	(300,464)	-	(300,464)
Total endowment activity	602,130	135,597	727,727
Endowment net assets, beginning of year	111,176	8,662,209	8,773,385
Endowment net assets, end of year	\$ 713,306	\$ 8,797,806	\$ 9,511,112

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 8 – RESTRICTED NET ASSETS (Continued)

The following table summarizes funds functioning as endowment activities of Bideawee for the year ended September 30, 2016:

	Funds Functioning as Endowments		
	Temporarily Restricted	Permanently Restricted	Total
Investment earnings	\$ 723,325	\$ -	\$ 723,325
Cemetery maintenance fees received	-	156,256	156,256
Appropriation for expenditure	(261,767)	-	(261,767)
Total endowment activity	461,558	156,256	617,814
Endowment net assets, beginning of year	(350,382)	8,505,953	8,155,571
Endowment net assets, end of year	\$ 111,176	\$ 8,662,209	\$ 8,773,385

Endowment net assets are included with investments on the accompanying statements of financial position as of September 30, 2017 and 2016.

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 2J, deficiencies of this nature are reported in either restricted or unrestricted net assets.

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.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 9 – FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value at September 30, 2017 and 2016.

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.

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.

Financial assets measured at fair value on a recurring basis as of September 30, 2017 are presented in the table by fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total 2017</u>
Money market funds	\$ 289,893	\$ -	\$ 289,893
Mutual funds:			
Domestic – fixed income	10,148,744	-	10,148,744
Domestic – equities	3,908,246	-	3,908,246
International – equities	2,207,360	-	2,207,360
Beneficial interest in trusts	<u>-</u>	<u>931,812</u>	<u>931,812</u>
Investments at Fair Value	<u>\$16,554,243</u>	<u>\$ 931,812</u>	<u>\$17,486,055</u>

Financial assets measured at fair value on a recurring basis as of September 30, 2016 are presented in the table by fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total 2016</u>
Money market funds	\$ 1,333,702	\$ -	\$ 1,333,702
Mutual funds:			
Domestic – fixed income	3,569,066	-	3,569,066
Domestic – equities	4,034,266	-	4,034,266
International – equities	6,978,018	-	6,978,018
Beneficial interest in trusts	<u>-</u>	<u>833,413</u>	<u>833,413</u>
Investments at Fair Value	<u>\$15,915,052</u>	<u>\$ 833,413</u>	<u>\$16,748,465</u>

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

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 9 – FAIR VALUE MEASUREMENT (Continued)

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, 2017 and 2016. 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.

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

Balance - October 1, 2015	\$ 846,616
Total gains or losses recognized in the change in permanently restricted net assets – change in value of perpetual trusts	<u>(13,203)</u>
Balance - October 1, 2016	833,413
Total gains or losses recognized in the change in permanently restricted net assets – change in value of perpetual trusts	<u>98,399</u>
Balance - September 30, 2017	<u>\$ 931,812</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. Cash accounts are insured up to \$250,000 per depositor. As of September 30, 2017 and 2016, there was approximately \$946,000 and \$1,129,000, 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, 2017, Bideawee received two bequest payments from one estate totaling \$1,125,000 which represented approximately 10% of total revenue for the year ended September 30, 2017.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

- A. Bideawee believes it has no uncertain tax positions as of September 30, 2017 and 2016 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.
- 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.

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

NOTE 12 – SUBSEQUENT EVENTS

Bideawee determined that it intends to sell the New York City animal hospital private veterinary practice book of business. The sale is not yet finalized as of the date of this report.

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through February 9, 2018, the date of the financial statements were available to be issued.