



FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

BIDEAWEE, INC.

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

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Bideawee, Inc.

We have audited the accompanying statements of financial position of Bideawee, Inc. ("Bideawee") as of September 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Bideawee's management. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
April 19, 2013

BIDEAWEE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents (Notes 2B and 10A)	\$ 897,488	\$ 679,407
Bequests, legacies, and other receivables, net (Notes 2C and 3)	635,143	1,990,580
Inventory (Note 2D)	128,363	104,117
Prepaid expenses and other assets	85,042	1,775
Investments (Notes 2E, 4 and 9)	18,192,872	15,887,335
Property and equipment, net (Notes 2H and 5)	8,678,540	8,854,351
Beneficial interest in trusts (Notes 2K, 8 and 9)	661,710	532,804
TOTAL ASSETS	\$ 29,279,158	\$ 28,050,369
LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 822,663	\$ 438,308
Capital lease obligations payable (Note 6)	5,850	23,022
TOTAL LIABILITIES	828,513	461,330
COMMITMENTS (Notes 6 and 11)		
NET ASSETS (Note 2I)		
Unrestricted		
Net investment in property and equipment	8,672,690	8,831,329
Available for operations	9,908,009	9,165,457
Total unrestricted	18,580,699	17,996,786
Temporarily restricted (Note 8)	144,975	144,935
Permanently restricted (Note 8)	9,724,971	9,447,318
TOTAL NET ASSETS	28,450,645	27,589,039
TOTAL LIABILITIES AND NET ASSETS	\$ 29,279,158	\$ 28,050,369

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

BIDEAWEE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	For the Year Ended September 30, 2012			For the Year Ended September 30, 2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
REVENUES, GAINS AND OTHER SUPPORT:								
Special events revenue	\$ 318,780	\$ -	\$ -	\$ 318,780	\$ 216,058	\$ -	\$ -	\$ 216,058
Less: costs of direct benefits to donors	(85,526)	-	-	(85,526)	(57,626)	-	-	(57,626)
Special events, net	233,254	-	-	233,254	158,432	-	-	158,432
Bequests and legacies (Notes 2C and 10E)	4,725,762	-	3,000	4,728,762	6,201,147	-	-	6,201,147
Contributions (Note 2C)	1,902,836	13,935	-	1,916,771	1,370,409	15,000	-	1,385,409
In-kind contributions (Note 2C)	33,931	-	-	33,931	205,973	-	-	205,973
Adoption Centers, Animal Hospitals, Loving Legacy and other fees	2,099,180	-	-	2,099,180	1,987,238	-	-	1,987,238
Cemetery maintenance fees (Note 2J)	263,468	-	145,747	409,215	242,044	-	150,894	392,938
Miscellaneous income	65,660	-	-	65,660	22,100	-	-	22,100
Interest and dividends, net of investment fees (Notes 4 and 8)	470,581	-	-	470,581	338,190	-	-	338,190
Net realized and unrealized (loss) gain on investments (Notes 4 and 8)	851,097	-	-	851,097	(86,994)	-	-	(86,994)
Change in value of beneficial interest in split interest agreements (Note 2K)	-	-	128,906	128,906	-	-	54,436	54,436
Net assets released from restrictions (Note 8)	13,895	(13,895)	-	-	11,065	(11,065)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	10,659,664	40	277,653	10,937,357	10,449,604	3,935	205,330	10,658,869
EXPENSES:								
Program Services								
Adoption Centers	3,066,411	-	-	3,066,411	2,682,964	-	-	2,682,964
Animal Hospitals	2,022,154	-	-	2,022,154	1,910,109	-	-	1,910,109
Behavior, learning and volunteers	533,648	-	-	533,648	516,269	-	-	516,269
Memorial parks	1,010,810	-	-	1,010,810	910,082	-	-	910,082
Loving Legacy program	155,189	-	-	155,189	165,124	-	-	165,124
Total program services	6,788,212	-	-	6,788,212	6,184,548	-	-	6,184,548
Supporting Services:								
Management and general	1,490,863	-	-	1,490,863	1,265,613	-	-	1,265,613
Fundraising	1,796,676	-	-	1,796,676	1,563,168	-	-	1,563,168
Total supporting services	3,287,539	-	-	3,287,539	2,828,781	-	-	2,828,781
TOTAL EXPENSES	10,075,751	-	-	10,075,751	9,013,329	-	-	9,013,329
CHANGE IN NET ASSETS	583,913	40	277,653	861,606	1,436,275	3,935	205,330	1,645,540
Net assets, beginning of year	17,996,786	144,935	9,447,318	27,589,039	16,560,511	141,000	9,241,988	25,943,499
NET ASSETS - END OF YEAR	\$ 18,580,699	\$ 144,975	\$ 9,724,971	\$ 28,450,645	\$ 17,996,786	\$ 144,935	\$ 9,447,318	\$ 27,589,039

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

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(With Comparative Totals for September 30, 2011)

	Program Services					Supporting Services			Total 2011	
	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)	394,575	223,823	66,769	155,338	11,427	851,932	128,720	147,680	276,400	1,128,332
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	19,956	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	222	-	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 (Notes 5)	185,653	76,797	55,795	35,069	56,630	409,944	81,261	125,489	206,750	616,694
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	\$ 3,066,411	\$ 2,022,154	\$ 533,648	\$ 1,010,810	\$ 155,189	\$ 6,788,212	\$ 1,490,863	\$ 1,796,676	\$ 3,287,539	\$ 9,013,329

The accompanying notes are an integral part of these financial statements

BIDEAWEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Program Services						Supporting Services			Total 2011
	Adoption Centers	Animal Hospitals	Behavior, Learning, Volunteers	Memorial Parks	Loving Legacy Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 1,249,902	\$ 938,224	\$ 249,732	\$ 431,357	\$ 45,670	\$ 2,914,885	\$ 598,279	\$ 642,789	\$ 1,241,068	\$ 4,155,953
Payroll taxes and employee benefits (Note 7)	391,823	228,779	70,003	149,532	10,764	850,901	112,058	122,815	234,873	1,085,774
Salaries and Related Costs	1,641,725	1,167,003	319,735	580,889	56,434	3,765,786	710,337	765,604	1,475,941	5,241,727
Professional fees (Note 2C)	30,495	154,065	21,380	9,168	4,527	219,635	229,747	178,350	408,097	627,732
Medical supplies	184,716	183,516	-	-	-	368,232	-	-	-	368,232
PMP supplies	-	-	-	81,647	-	81,647	-	-	-	81,647
Pet supplies (Note 2C)	57,483	18,864	-	-	228	76,575	31	-	31	76,606
Occupancy	151,724	46,191	18,558	48,330	18,794	283,597	17,617	30,925	48,542	332,139
Repairs and maintenance	115,891	40,528	18,521	49,959	11,436	236,335	15,654	28,554	44,208	280,543
Non-cap software and hardware	3,330	2,505	1,403	8,786	-	16,024	1,638	-	1,638	17,662
Insurance	43,842	8,976	15,124	23,096	13,546	104,584	9,903	21,016	30,919	135,503
Staff development and dues	7,754	4,115	3,656	674	312	16,511	963	3,933	4,896	21,407
Travel	8,966	4,019	3,962	12,054	862	29,863	6,868	5,730	12,598	42,461
Telephone and network management	30,528	18,331	14,324	14,630	2,577	80,390	13,064	18,803	31,867	112,257
Meetings and seminars	2,447	3,506	1,647	539	-	8,139	5,951	368	6,319	14,458
Postage	5,525	2,767	1,150	5,614	162	15,218	3,137	47,414	50,551	65,769
Miscellaneous	17,040	15,287	3,441	18,756	838	55,362	5,686	4,158	9,844	65,206
Bank charges	3,163	26,315	866	11,525	-	41,869	7,201	23,671	30,872	72,741
Marketing, newsletter and publications (Note 2C)	150,335	143,234	36,156	17,814	1,976	349,515	121,562	340,083	461,645	811,160
Catering and entertainment (Note 2C)	-	-	732	-	-	732	-	62,895	62,895	63,627
Bad debt expense	-	-	-	-	-	-	72,343	-	72,343	72,343
Depreciation and amortization (Notes 5)	228,000	70,887	55,614	26,601	53,432	434,534	43,911	89,290	133,201	567,735
Subtotal	2,682,964	1,910,109	516,269	910,082	165,124	6,184,548	1,265,613	1,620,794	2,886,407	9,070,955
Less: Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(57,626)	(57,626)	(57,626)
TOTAL EXPENSES	\$ 2,682,964	\$ 1,910,109	\$ 516,269	\$ 910,082	\$ 165,124	\$ 6,184,548	\$ 1,265,613	\$ 1,563,168	\$ 2,828,781	\$ 9,013,329

The accompanying notes are an integral part of these financial statements

BIDEAWEE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 861,606	\$ 1,645,540
Donated stock (Note 2C)	(2,522,207)	24,371
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	616,694	567,735
Bad debt expense	102,134	72,343
Permanently restricted cemetery maintenance fees	(145,747)	(150,894)
Unrealized (gain) loss on investments	(461,483)	268,239
Realized gain on investments	(389,614)	(181,245)
Subtotal	(1,938,617)	2,246,089
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Bequests, legacies, and other receivables	1,253,303	(1,571,361)
Inventory	(24,246)	(4,390)
Prepaid expenses and other assets	(83,267)	8,131
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses, and security deposits held	384,355	(106,677)
Net Cash (Used in) Provided by Operating Activities	(408,472)	571,792
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(19,824,124)	(8,131,680)
Proceeds from investment sales	20,891,891	7,541,478
Purchases of property and equipment	(440,883)	(294,711)
Net Cash Provide by (Used in) Investing Activities	626,884	(884,913)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in value of beneficial interest in trusts	(128,906)	(54,436)
Permanently restricted cemetery maintenance fees	145,747	150,894
Principal repayments on capital lease obligations payable	(17,172)	(17,230)
Net Cash (Used in) Provided by Financing Activities	(331)	79,228
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	218,081	(233,893)
Cash and cash equivalents - beginning of year	679,407	913,300
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 897,488	\$ 679,407
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 2,438	\$ 2,438

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

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011, Bideawee determined that an allowance for uncollectible accounts of \$314,071 and \$242,679, 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, 2012 and 2011, Bideawee received \$33,931 and \$205,973, respectively, of contributions in-kind that are reported as contributions and expenses in the accompanying statements of activities and functional expenses.

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

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 \$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
SEPTEMBER 30, 2012 AND 2011

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. **Uncertainty in Income Taxes** – Bideawee has no uncertain tax positions as of September 30, 2012 and 2011 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 2009.
- O. **Reclassifications** – Certain line items in the September 30, 2011 financial statements have been reclassified to conform to the September 30, 2012 presentation.

NOTE 3 – BEQUESTS, LEGACIES AND OTHER RECEIVABLES

Bequests, legacies and other receivables consist of the following as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Amount due in less than one year:		
Bequests and legacies	\$ 597,031	\$ 1,899,408
Other receivables	<u>352,183</u>	<u>333,851</u>
	949,214	2,233,259
Less: allowance for uncollectible amounts	<u>(314,071)</u>	<u>(242,679)</u>
	<u>\$ 635,143</u>	<u>\$ 1,990,580</u>

NOTE 4 – INVESTMENTS

Investments consist of the following as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Money market funds	\$ 694,400	\$ 2,970,144
Equity securities	4,297,927	-
Mortgage backed securities	128,703	4,356,140
Municipal obligations	-	1,033,883
U.S. Treasury notes	6,035,071	1,186,032
Corporate obligations	4,925,492	681,372
Mutual funds	<u>2,111,279</u>	<u>5,659,764</u>
	<u>\$ 18,192,872</u>	<u>\$ 15,887,335</u>

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 4 – INVESTMENTS (Continued)

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.

Investment income consists of the following for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 528,184	\$ 382,982
Realized gain on investment	389,614	181,245
Unrealized gain (loss) on investment	461,483	(268,239)
Investment fees	<u>(57,603)</u>	<u>(44,792)</u>
	<u>\$ 1,321,678</u>	<u>\$ 251,196</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>	<u>Estimated Useful Lives</u>
Land	\$ 126,080	\$ 126,080	
Buildings and improvements	15,928,962	15,876,820	10-40 years
Office equipment, furniture and vehicles	<u>1,666,284</u>	<u>1,431,821</u>	5-20 years
	17,721,326	17,434,721	
Less: accumulated depreciation	<u>(9,042,786)</u>	<u>(8,580,370)</u>	
	<u>\$ 8,678,540</u>	<u>\$ 8,854,351</u>	

Depreciation expense amounted to \$616,692 and \$567,735 (including \$17,230 on capital leased equipment) for the years ended September 30, 2012 and 2011, respectively. During the years ended September 30, 2012 and 2011, Bideawee wrote off certain fully depreciated fixed assets no longer in use amounting to \$154,278 and \$55,977, 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 5.75%. Minimum future lease payments subsequent to September 30, 2012 are as follows:

2013	<u>\$ 6,678</u>
Total minimum lease payments	6,678
Less: amounts representing interest	<u>(828)</u>
	<u>\$ 5,850</u>

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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 \$118,651 and \$121,073 for the years ended September 30, 2012 and 2011, respectively.

NOTE 8 – RESTRICTED NET ASSETS

Net assets of \$13,895 and \$11,065 were released from restrictions during the years ended September 30, 2012 and 2011, respectively, by incurring program expenses. Temporarily restricted net assets as of September 30, 2012 and 2011, respectively, are restricted by donors for the following purposes:

	2012	2011
Veterinary Medical Assistance Fund	\$ 3,975	\$ 3,935
Restricted for future operations	141,000	141,000
	\$ 144,975	\$ 144,935

As of September 30, 2012 and 2011, 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:

	2012	2011
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	3,000	-
	1,109,144	1,106,144
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	7,954,117	7,808,370
	9,063,261	8,914,514
Beneficial interest in perpetual trust	521,415	405,956
Beneficial interest in charitable remainder trusts	140,295	126,848
	\$ 9,724,971	\$ 9,447,318

BIDEAWEE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Investment earnings on endowment funds	\$ 687,125	\$ 166,081
Earnings appropriated for expenditures	(687,125)	(166,081)
Cemetery maintenance fees received	<u>145,747</u>	<u>150,894</u>
Total change in endowment net assets	145,747	150,894
Endowment net assets, beginning of year	<u>8,914,514</u>	<u>8,763,620</u>
Endowment net assets, end of year	<u>\$ 9,060,261</u>	<u>\$ 8,914,514</u>

Endowment net assets are included with investments on the accompanying statements of financial position as of September 30, 2012 and 2011.

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
SEPTEMBER 30, 2012 AND 2011

NOTE 9 – FAIR VALUE MEASUREMENTS

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, 2012 and 2011.

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
SEPTEMBER 30, 2012 AND 2011

NOTE 9 – FAIR VALUE MEASUREMENTS (Continued)

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>

Financial assets measured at fair value on a recurring basis as of September 30, 2011 are presented in the table by fair value hierarchy as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total 2011</u>
Money market funds	\$ 2,970,145	\$ -	\$ 2,970,145
Mortgage backed securities	4,356,140	-	4,356,140
Municipal obligations	1,033,883	-	1,033,883
Government obligations - Federal	1,186,032	-	1,186,032
Corporate bonds	681,372	-	681,372
Mutual funds:			
Domestic – fixed income	4,940,686	-	4,940,686
International – fixed income	719,077	-	719,077
Beneficial interest in trusts	<u>-</u>	<u>532,804</u>	<u>532,804</u>
Investments at Fair Value	<u>\$15,887,335</u>	<u>\$ 532,804</u>	<u>\$16,420,139</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, 2012 AND 2011

NOTE 9 – FAIR VALUE MEASUREMENTS (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, 2012. 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.

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

Balance - October 1, 2011	\$ -
Transfer into Level 3	532,804
Total gains or losses recognized in the change in permanently restricted net assets – change in value of perpetual trust	<u>128,906</u>
Balance - September 30, 2012	<u>\$ 661,710</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 banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts are fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of September 30, 2012 and 2011, there was approximately \$404,000 and \$275,000, 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 – COMMITMENT AND CONTINGENCIES

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 April 19, 2013, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through April 19, 2013 that would require adjustment to or disclosure in the financial statements.