MORRIS ANIMAL FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2014

Morris Animal

FOUNDATION

Contents

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Independent Auditors' Report

Board of Trustees
Morris Animal Foundation
Denver, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the Morris Animal Foundation (the Foundation), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As explained in Note 2, the financial statements include investments valued at $50,514,892 (62% of net assets) whose fair values have been estimated by management in the absences of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners. Our opinion is not modified with respect to this matter.

Report On Summarized Comparative Information

We have previously audited the Foundation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RubinBrown LLP

January 16, 2015

MORRIS ANIMAL FOUNDATION

STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Comparative Totals At June 30, 2013)

Assets

	2014	2013
Current Assets		
Cash (Note 2)	$ **2,091,521**	$ 1,796,684
Accounts receivable	**18,574**	40,956
Prepaid expenses	**23,735**	45,399
Unrestricted/temp restricted investments (Note 2)	**42,025,011**	37,546,811
Total Current Assets	**44,158,841**	39,429,850
Property And Equipment		
Building and improvements	**70,969**	70,969
Computer hardware and software	**125,818**	125,818
Office furniture and equipment	**141,354**	141,354
Total Property And Equipment	**338,141**	338,141
Accumulated depreciation	**(310,992)**	(291,127)
Net Property And Equipment	**27,149**	47,014
Other Assets		
Permanently restricted investments (Note 2)	**40,266,379**	39,980,710
Annuity investment (Notes 2 and 3)	**1,888,320**	1,152,271
Total Other Assets	**42,154,699**	41,132,981
Total Assets	$ **86,340,689**	$ 80,609,845

Liabilities And Net Assets

	2014	2013
Current Liabilities		
Accounts payable	$ **159,592**	$ 220,956
Health studies grants payable	**3,098,256**	2,822,035
Accrued vacation and salaries	**212,323**	184,485
Total Current Liabilities	**3,470,171**	3,227,476
Other Liabilities		
Deposit (Note 4)	**229,888**	211,080
Annuities payable (Note 3)	**641,595**	352,118
Total Other Liabilities	**871,483**	563,198
Total Liabilities	**4,341,654**	3,790,674
Net Assets (Note 5)		
Unrestricted	**29,929,213**	28,230,696
Temporarily restricted	**11,803,443**	8,607,766
Permanently restricted	**40,266,379**	39,980,709
Total Net Assets	**81,999,035**	76,819,171
Total Liabilities And Net Assets	$ **86,340,689**	$ 80,609,845

MORRIS ANIMAL FOUNDATION

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014
(With Comparative Totals For The Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Revenue And Support					
Cash contributions	$ 4,162,175	$ 4,049,799	$ 285,670	$ 8,497,644	$ 10,636,743
Investment return (Note 2)	3,660,991	6,075,977	—	9,736,968	5,135,577
Annuity investment income	—	191,540	—	191,540	52,723
Donated services (Note 8)	992,030	—	—	992,030	766,918
Other income	28,801	364,536	—	393,337	169,005
Total Revenue And Support	8,843,997	10,681,852	285,670	19,811,519	16,760,966
Net Assets Released From Restrictions (Note 6)	7,486,175	(7,486,175)	—	—	—
Total Revenue And Support	16,330,172	3,195,677	285,670	19,811,519	16,760,966
Expenses					
Program services					
Grant evaluation (donated services Note 8)	970,185	—	—	970,185	759,173
Animal health studies	8,136,557	—	—	8,136,557	7,825,781
Program awareness	1,364,745	—	—	1,364,745	1,366,205
Grant management	1,141,423	—	—	1,141,423	970,766
Total Program Services	11,612,910	—	—	11,612,910	10,921,925
Support services					
Administrative	755,560	—	—	755,560	760,374
Development	2,263,185	—	—	2,263,185	2,213,919
Total Support Services	3,018,745	—	—	3,018,745	2,974,293
Total Expenses	14,631,655	—	—	14,631,655	13,896,218
Change In Net Assets	1,698,517	3,195,677	285,670	5,179,864	2,864,748
Net Assets - Beginning Of Year	28,230,696	8,607,766	39,980,709	76,819,171	73,954,423
Net Assets - End Of Year	$ 29,929,213	$ 11,803,443	$ 40,266,379	$ 81,999,035	$ 76,819,171

MORRIS ANIMAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2014
(With Comparative Totals For The Year Ended June 30, 2013)

	Program			Support Services			
	Health Studies	**Program Awareness**	**Grant Management**	**Adminis-tration**	**Develop-ment**	**Total 2014**	**Total 2013**
Expenses							
Animal health studies	$ 7,637,488	$ 8,878	$ —	$ —	$ —	$ 7,646,366	$ 7,825,781
Personnel	—	645,114	730,623	552,359	905,305	2,833,401	2,986,755
Printing	109,979	22,749	4,081	2,021	290,701	429,531	268,648
Postage and mailing	3,024	20,584	7,534	2,676	146,503	180,321	159,322
General	150	99,127	96,885	57,894	224,964	479,020	375,742
Professional services	380,942	391,960	70,547	30,294	265,819	1,139,562	528,964
Travel	2,474	86,449	47,723	9,043	213,031	358,720	266,625
Depreciation	—	4,708	4,569	3,516	7,072	19,865	25,984
Conference/convention/meetings	2,500	36,546	150,307	55,769	54,495	299,617	349,600
Occupancy (Note 9)	—	25,019	24,147	18,823	38,295	106,284	105,144
Donated services (Note 8)	970,185	—	—	21,845	—	992,030	766,920
Merchandise/promotional	—	23,611	5,007	1,320	117,000	146,938	236,733
Total	$ 9,106,742	$ 1,364,745	$ 1,141,423	$ 755,560	$ 2,263,185	$ 14,631,655	$ 13,896,218

MORRIS ANIMAL FOUNDATION

STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2014
(With Comparative Totals For The Year Ended June 30, 2013)

	2014	2013
Cash Flows From Operating Activities		
Changes in net assets	**$ 5,179,864**	$ 2,864,748
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Aggregate realized gain	**(1,815,552)**	(2,919,371)
Aggregate realized gain on annuities	**(588,186)**	(57,613)
Aggregate unrealized gain	**(7,654,505)**	(1,822,498)
Aggregate unrealized (gain) loss on annuities	**(147,863)**	16,068
Depreciation	**19,865**	25,984
Decrease in assets		
Accounts receivable	**22,382**	9,635
Prepaid expenses	**21,664**	13,045
Increase (decrease) in liabilities		
Accounts payable	**(61,364)**	8,720
Health studies grants payable	**276,221**	(557,966)
Accrued payroll	**27,838**	(1,267)
Deposit	**18,808**	4,674
Annuities payable	**289,477**	(7,075)
Net Cash Used In Operating Activities	**(4,411,351)**	(2,422,916)
Cash Flows From Investing Activities		
Cash paid for purchase of property and equipment	**—**	(14,996)
Proceeds received from sale of investments	**63,298,516**	38,782,332
Cash paid for purchase of investments	**(58,592,328)**	(36,087,095)
Net Cash Provided By Investing Activities	**4,706,188**	2,680,241
Net Increase In Cash	**294,837**	257,325
Cash - Beginning Of Year	**1,796,684**	1,539,359
Cash - End Of Year	**$ 2,091,521**	$ 1,796,684

1. Summary Of Significant Accounting Policies

The Morris Animal Foundation (the Foundation) was organized and incorporated as a not-for-profit in New Jersey in 1948. The Foundation was incorporated in Colorado in 1974. The Foundation provides funds for studies of health problems of companion animals and wildlife and disseminates information about these studies. The Foundation is solely funded by contributions and investment earnings from those contributions.

Basis Of Presentation

Financial statement presentation follows the requirements of the Accounting Standards Codification (ASC) for not-for-profit organizations by reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash And Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust agreements or with third-party payers.

Contributions

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

Restricted And Unrestricted Support

Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions received for a specified health study project or area of study which will not be undertaken by the Foundation are either returned to the donor or transferred to other areas in accordance with the donor's desires.

The Foundation has been named as beneficiary in various wills and trusts. It is the policy of the Foundation to record contributions as revenue when income is assured, generally at the time of receipt.

Donated Services

The Foundation pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs, campaign solicitations and various committee assignments.

Estimates And Assumptions

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property And Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of $3,000. Purchased property and equipment is carried at cost. Donated property and equipment is recorded at estimated fair market value at the date of donation.

It is the policy of the Foundation to provide for depreciation under the straight-line method as charges to income in amounts sufficient to absorb the cost of the depreciable assets over their estimated useful lives of 3 to 10 years.

Investments

Investments in marketable securities are stated at fair value. Securities not publicly traded are stated at fair value by the general partner of the investment company, which approximates fair value. Donated investments are reflected as contributions at their fair values at date of receipt. The Foundation has invested its monies in various types of investments: money market funds, annuity investments, U.S. government bonds, hedge funds and private equity funds.

Accounting For Uncertainty In Income Taxes

At June 30, 2014, the Foundation had no interest or penalties recognized in the statement of activities or statement of financial position. Additionally, the Foundation has no uncertain tax provisions for which a reasonable possibility exists that the total amounts of unrecognized tax benefit will significantly increase or decrease within 12 months of June 30, 2014.

Tax years that remain subject to examination are years 2010 and forward for the United States Internal Revenue Service and 2009 and forward for the State of Colorado Department of Revenue.

Expense Allocation

Expenses by function have been allocated between the program awareness, grant management, development, health studies and administrative classifications on the basis of estimates made by the Foundation's management, approved by the Executive Committee.

Grants Payable

The Foundation records grants at the net present value of the grant upon all conditions of the grant being met by the grant recipient. Grants payable have not been discounted to present value because the effect is not significant. Grants payable at June 30, 2014 were $3,098,256.

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

2. Cash And Investments

The Foundation maintains cash accounts at local commercial banks. These accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. As of June 30, 2014, the bank balance is $1,986,123, of which $1,486,123 in bank deposits are uninsured by FDIC.

At various times throughout the year, the Foundation maintains other cash accounts in excess of federally insured limits. The Foundation adequately monitors its cash flows to reduce the risk of loss of uninsured deposits.

The Foundation has investments in Atlas Leveraged Fund; Broadfin Healthcare; Glade Brook Global Offshore Fund; Hengistbury Fund; Indaba Capital Partners; Morgan Creek Partners V; Morgan Rio Capital Fund; Sloane Robinson Global Fund Japan LP; Falcon Edge; Hound Partners Offshore; Hummer Winblad Venture Partners IV, L.P.; Hummer Winblad Venture Partners V, L.P.; IBS Opportunity Fund; Libra Offshore Ltd.; Light Street; Morgan Creek Absolute Return Fund; Morgan Creek BRIC+; Morgan Creek Credit Strategies Fund; Morgan Creek Dislocation Fund; Morgan Creek Fund; Morgan Creek Opportunity Fund; Morgan Creek Partners I; Morgan Creek Partners II; Morgan Creek Partners III; Morgan Creek Partners Co-Investment II; Morgan Creek Direct/Opportunity Fund B; Morgan Creek BRIC Plus Private; Paul Royalty; Paul Associates II Fund; Raptor Global; TCW Shared Opportunities; Teng Yue Partners Offshore Fund LP; Tiger Eye and Value Partners Asia Fund; investment partnerships and investment companies where no published fair value is available. As such, it is at least reasonably possible that a change in fair value estimates could occur in the near term, particularly during an economic downturn.

The carrying value of these long-term investments at June 30, 2014 is approximately $50,514,892 (60%) of the Foundation's total investment and is a component of investments on the statement of financial position.

The Foundation adopted accounting rules for fair value measurements, which established a three-level fair value reporting hierarchy. The reporting hierarchy requires the Foundation to classify its investments based on valuation inputs used to determine fair value, using three levels. Level 1 investments are valued based on quoted market prices in active markets for identical assets. Level 2 investments are valued based on significant observable market inputs, such as quoted prices for similar assets and quoted prices in inactive markets or other market observable inputs. Level 3 investments are valued using significantly unobservable inputs that reflect the fund managers' determination of assumptions that market participants might reasonably use in valuing the assets. The valuation levels are not necessarily an indication of the risk associated with investing in those securities.

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present-value techniques. There were no changes in the valuations techniques during the current year.

Level 1 investments are valued on a recurring basis, and Level 3 investments are valued on a nonrecurring basis. Fair values of investments at June 30, 2014 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 348,540	$ 348,540	$ —	$ —
Mutual funds	8,275,178	8,275,178	—	—
Annuity investment	1,888,320	1,888,320	—	—
U.S. government bonds	3,678,484	3,678,484	—	—
Hedge funds	41,636,282	—	19,474,296	22,161,986
Private equity funds	28,352,906	—	—	28,352,906
Total Investments	$ 84,179,710	$ 14,190,522	$ 19,474,296	$ 50,514,892

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used by the fund managers in determining fair value:

Balance at July 1	$ 64,965,606
Total gains or losses (realized)	2,332,465
Total gains or losses (unrealized)	7,401,245
Purchases, issuances and settlements	17,588,362
Sales out of Level 3	(22,298,490)
Transfers out of Level 3	(19,474,296)
Balance At June 30	$ 50,514,892

At year end, June 30, 2014, the Foundation transferred $19,474,296 from Level 3 determinations to Level 2 determinations based on a review of the underlying investments in the funds and a review of the redemption time frames and restrictions.

Gains and losses (realized and unrealized) included in unrestricted and temporarily restricted net assets for the year are reported in investment return for the year ended June 30, 2014 are as follows:

Realized gain	$ 2,106,610
Unrealized gains	7,654,505
Dividends and interest	266,911
Investment advisory fees	(291,058)
Total Investment Return	$ 9,736,968

The Foundation has adopted ASC 820-10-15-4, *Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent).* Under the guidance, a reporting entity is permitted, as a practical expedient, to estimate the fair value of certain portfolio investments on the basis of the net asset value per share. In the normal course of business, the Foundation holds certain investments that would qualify for the usage of the practical expedient.

The following table summarizes the Foundation's investments in entities that calculate net asset value per share (or its equivalents):

	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (a)	$ 1,910,863	Monthly	45 days
Hedge fund (b)	2,907,252	Quarterly	60 days
Hedge fund (c)	1,654,341	Quarterly	65 days
Hedge fund (d)	2,808,663	Quarterly	90 days
Hedge fund (e)	1,779,223	Quarterly	90 days, 20% investor gate
Hedge fund (f)	3,193,255	Quarterly	90 days, 25% investor gate
Hedge fund (g)	379,052	Illiquid	Remainder sidepocket
Hedge fund (h)	2,122,369	Quarterly	120 days
Hedge fund (i)	3,009,274	Monthly	1 month
Hedge fund (j)	1,585,681	Monthly	14 days
Hedge fund (k)	1,029,141	Quarterly	90 days, one year hard lock-up until January 2015
Hedge fund (l)	2,001,982	Quarterly	45 days, one year soft lock-up with a 3% fee until March 2015
Hedge fund (m)	2,127,743	Quarterly	60 days, one year hard lock-up until October 2014
	$ 26,508,839		

Note: See the following for explanations of each hedge fund.

(a) Globally diversified, multi-strategy hedge fund. The fund consists of multiple portfolio managers operating within core investment strategies, including sector fundamental long/short, discretionary global macro and equity trading. The investment objective is to achieve attractive returns with relatively low volatility and lower correlation to traditional equity benchmarks. The fair value of the fund has been estimated using the net asset value per share of the investments.

(b) Long/short domestic equity hedge fund focused on healthcare sub-sectors. The fund employs a value-oriented, research-intensive approach to find and invest in companies developing products that improve outcomes and lower costs. The investment objective is to achieve attractive returns with relatively low volatility and lower correlation to traditional equity benchmarks. The fair value of the fund has been estimated using the net asset value per share of the investments.

(c) Global long/short equity hedge fund that employs a rigorous sector-focused fundamental investment process driven by high-conviction best ideas with a global mandate. The fund focuses on technology, media and telecommunications and gaming/leisure/consumer stocks.

(d) Global long/short equity hedge fund, specifically focusing on Europe, but also North America and Asia. The fund, utilizing a valuation-led approach, specifically seeks to capture the value gap between market price and intrinsic value independent of market performance and the economic cycle. Returns are expected to be the result of discounted valuation, strong businesses and business cycle protection.

(e) Global long/short equity hedge fund with a value orientation and a fundamental bias. While the fund will primarily invest in global equities, it has the ability to opportunistically invest across the capital structure. The investment objective is to achieve attractive returns with relatively low volatility and lower correlation to traditional equity benchmarks. The fair value of the fund has been estimated using the net asset value per share of the investments.

(f) Enhanced fixed income event-driven hedge fund, primarily investing in U.S.-based opportunities, aiming to create a concentrated “best ideas” portfolio containing the debt and equity of leveraged companies that are mispriced. The fund uses a bottom-up, fundamentally-oriented process and generally focuses on select industries, such as business/information services, consumer/retail, energy, financial services, real estate and software.

(g) Global opportunistic long/short equity hedge fund that focuses primarily on the U.S., Canada and select other markets. Emphasis is on equities using bottom-up fundamental analysis to identify special situations in line with its theme orientation. The fund has no specific industry bias but has a strong focus on natural resources. The investment objective is to achieve attractive returns with relatively low volatility and lower correlation to traditional equity benchmarks. The fair value of the fund has been estimated using the net asset value per share of the investments.

(h) Multi-strategy opportunity hedge fund dedicated to asset, credit and special situation investments in Latin America, primarily in the larger countries. The fund offers systematic access to inefficiency investing through unique local expertise, relationships and immersion.

(i) Long/short Japanese equity hedge fund with a directional approach to investing focusing on stock selection. The portfolio is enhanced with index and currency derivative overlays for hedging and investment purposes when appropriate. The fund’s objective is to generate absolute returns through the application of accumulated experience, stock-picking discipline and macro insight to the international equity markets.

(j) Long/short hedge fund that applies a bottom-up value discipline to investing in Greater China-related equities. The fund will also invest in Asian companies listed on Western stock exchanges. The investment objective is to achieve attractive returns with relatively low volatility and lower correlation to traditional equity benchmarks. The fair value of the fund has been estimated using the net asset value per share of the investments.

(k) This fund is a global long/short equity fund dedicated to exploiting asymmetric risk-reward opportunities. The investment team ranges across geographies, industries, themes and strategies. The fundamentally driven research process aims to identify opportunities where creative research, insight and awareness of behavior fallacies will be rewarded. The team will evaluate business models, most often focusing on the depth, width and sustainability of competitive modes, as evidenced by ROIC and FCF metrics. The fund seeks to own attractive businesses that are under-appreciated and well-managed and to short those that have the inverse characteristics.

(l) This fund aims to generate superior, sustainable, risk-adjusted returns. This fund employs a rigorous, fundamental investment approach combined with an awareness of corporate situations. This fund is dedicated to exploiting opportunity in industries driven by technological innovation, specifically in the Technology, d-Commerce, Internet Media, Traditional Media, Alternative Energy and Telecom industries.

(m) This fund aims to find uncorrelated sources of alpha in the interest of providing the highest and most diversified risk-adjusted returns. This fund seeks to achieve this goal by combining proprietary company analysis with fundamental sector and supply/demand research to identify opportunities that meet the firm's investment criteria. The fund identifies small changes in these companies that can have significant impact on the stock price through deep relationships with management teams and industry participants. This fund maintains a diversified portfolio, with a primary sector focus on Energy, TMT and Consumer.

3. Gift Annuities

The Foundation receives contributions for gift annuities to be paid to various beneficiaries over their lifetimes. The 2000CM mortality table and a 6% rate of return assumption are used to determine the liability as of the balance sheet date. The Foundation records the contributions at market value on the date of contribution and invests such contributions in its two gift-annuity reserve accounts (one for California annuities and one for annuities associated with all other states).

For the year ending June 30, 2014, the reserve accounts incurred the following gains and losses (totals reflect the combined activity of both accounts):

Opening investment market value	$ 1,152,271
Contributions received	650,000
Dividends and interest	29,746
Unrealized gain	147,863
Annuity fees	(14,076)
Annuity payments made	(77,484)
Ending Investment Market Value	$ 1,888,320
Annuities Payable Liability	$ 641,595

4. Deposit - Fort Worth/Tarrant County Animal Foundation

In 1993, the Foundation entered into an investment agreement with the Fort Worth/Tarrant County Animal Foundation. Fort Worth/Tarrant County deposited $265,000 in 1993, $30,000 in 1995 and $50,000 in 2004 into the Foundation's investments. Fort Worth/Tarrant County is not assessed a management fee as long as 75% of the annual return on investment distribution is designated for Foundation-approved health studies during the same calendar year. The term of the original agreement was three years and was extended multiple times. Either party could have elected to terminate the agreement after the initial three-year term. Upon written termination by either party, the value of the fund as of the next quarterly valuation was to be paid in cash to Fort Worth/Tarrant County. The liability for this deposit at June 30, 2014 was $229,888.

Subsequent to June 30, 2014, the Fort Worth/Tarrant County Animal Foundation requested to be, and was, paid the amount owed to them as noted above.

5. Net Assets And Donor-Designated Endowments

The Foundation's endowments consist of 12 individual funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation Of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This interpretation applies to the 12 donor-restricted funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The balance of the permanently restricted net assets of the endowment funds increase or decrease each year in accordance with the terms of the governing documents.

The remaining portion of the donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA or donor stipulations.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Foundation resources

Return Objectives And Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable and sustainable level of distribution that supports current needs and provides for growth in assets and income over time. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a long-term rate of return that is, net of spending, greater than the rate of inflation.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on the investment strategies of its investment advisor that emphasizes a total return strategy to exceed the S&P 500. Investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy And How The Investment Objectives Relate To Distribution Policy

The Foundation's spending policy allows for appropriating for distribution each year 5% of the trailing average asset value over the preceding 12 quarters on the invested funds. During October 2013, the Investment Committee approved reducing the distribution from 5% to 4.393%. In establishing the distribution policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow, net of spending, at the rate of inflation or greater over the investment horizon, thus maintaining the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. There were distributions of $1,761,821 in fiscal year 2014 from all donor-restricted endowment funds.

In determining distributions to the Foundation, the Board of Trustees may make an exception to the distribution policy, but may not distribute funds to the Foundation for debt reduction, the payment of interest or to offset poor operating results or management oversight.

Endowment net asset composition by type of fund as of June 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ —	$ 4,710,441	$ 40,266,379	$ 44,976,820
Board-designated endowment funds	27,692,884	—	—	27,692,884
Total Funds	$ 27,692,884	$ 4,710,441	$ 40,266,379	$ 72,669,704

Changes in endowment net assets as of June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, June 30, 2013	$ 24,283,987	$ 1,449,436	$ 39,980,709	$ 65,714,132
Contributions	29,000	—	285,670	314,670
Investment income	820,820	1,333,658	—	2,154,478
Net appreciation (depreciation)	2,905,155	4,733,362	—	7,638,517
Investment advisory fees	(108,818)	(176,683)	—	(285,501)
Amounts appropriated for underwater funds	867,512	(867,512)	—	—
Amounts appropriated for expenditures	(1,104,772)	(1,761,820)	—	(2,866,592)
Endowment Net Assets, July 1, 2014	$ 27,692,884	$ 4,710,441	$ 40,266,379	$ 72,669,704

Unrestricted Net Assets

Unrestricted net assets represent donations absent any donor-imposed restriction. The Board has elected to designate a portion of unrestricted net assets for operating expenses:

	2014
Operating deficit	$ (3,648,412)
Fund for operating draw	27,692,884
Unresticted donations	5,884,741
Total	$ 29,929,213

Temporarily Restricted Net Assets

The Foundation's temporarily restricted net assets consist of 19 donor-restricted funds established by donors for the benefit of the Foundation, as well as temporarily restricted earnings on permanently restricted funds and other smaller, as yet unspent, annual donations temporarily restricted to various interest areas of animal health studies.

The temporarily restricted net assets represent the net proceeds of donations which have been restricted by the donors to be used only for the following purposes:

		2014
L.A.N.A. Camelid Research Fund - The fund was established in 1990 by L.A.N.A. Camelid Research Foundation upon its termination. Principal is retained by the Foundation and invested for a 10-year period. Income from the investment may be used in health studies related to camelid health. In 2000, the agreement was renewed for another 10-year period. At the end of the 10-year period, the principal will be used for health studies of medical disorders suffered by the camelid animal family.	$	211,793
Alpaca Research Fund (ARF) - Donated in 1999, the fund is temporarily restricted for the purpose of llama/alpaca health studies.		167,266
American Heartworm Association - Donated in 2001, the fund is temporarily restricted for the purpose of heartworm studies.		216,589
Permanently Restricted Donation Earnings - Temporarily restricted earnings from permanently restricted net assets.		4,710,441
Gift Annuity - Established in 2002. Reclassified in 2007 to include gains from investment.		1,888,320
Animal Cancer Center (ACC) Cancer Biology Program - Anonymously donated in 2005, this fund was established to fund the ACC Cancer Biology Training Program at Colorado State University.		156,213
Canine Lifetime Health Project - Established in 2009 to conduct a 13-year longevity study to identify genetic, nutritional and environmental risk factors for cancer and other diseases in dogs.		2,647,325
Mark L. Morris Jr. Memorial Fund - Established in 2007, temporarily restricted donations in honor of Dr. Mark L. Morris, Jr. Use of funds is still being determined.		143,700
Kirkpatrick Foundation - Temporarily restricted donations from the Kirkpatrick Foundation to fund a five-year residency-PhD program at the Oklahoma State University Center for Veterinary Health Sciences to help address the shortage of veterinary research scientists.		93,380
Doberman Pinscher Foundation of America, Inc. - In 2005, the Doberman Pinscher Foundation of America, Inc. merged with the Foundation, and in accordance with the terms of the merger, a temporarily restricted fund was established, the earnings from which will fund health studies that will benefit doberman pinschers.		497,060
Doberman Pinscher Foundation of America, Inc. - Heart Fund - In 2005, the Doberman Pinscher Foundation of America, Inc. merged with the Foundation, and in accordance with the terms of the merger, a temporarily restricted fund was established, the earnings from which will fund canine heart health studies that will benefit doberman pinschers.		14,297
Eck's Heart Fund Doberman Pinscher Foundation of America, Inc. - In 2005, the Doberman Pinscher Foundation of America, Inc. merged with the Foundation, and in accordance with the terms of the merger, a temporarily restricted fund was established, the earnings from which will fund canine heart health studies that will benefit doberman pinschers based on the direction of the original donors, the Eck's.		93,756
Other - Represents small dollar donations that are temporarily restricted to various interest areas of animal health studies.		963,303
Total Temporarily Restricted Net Assets	$	11,803,443

Permanently Restricted Net Assets

The Foundation's permanently restricted net assets consist of 12 donor-restricted funds established by donors for the benefit of the Foundation.

Permanently restricted net assets are to provide a permanent endowment, with a portion of the investment income allocated to health studies. The permanently restricted net assets have been restricted by the donors to be used for the following purposes:

	2014
Eve Keeler Memorial Fund - The Foundation names a study to be funded with interest earned from the retained principal of the Eve Keeler Memorial Fund. Studies must include support to veterinary or post-doctoral students for participation in the studies.	$ 1,002,474
Ballard Student Fund - Established by Joseph Ballard in 1980, the interest earned on the principal is used to provide stipends to veterinary students who promote the mission of the Foundation at their local college or university.	114,110
Other - Established by Daniel A. Marsh Jr. in 1999, to create the following endowments: General, Feline, Equine and Wildlife. The interest earned is to be used to fund health studies in each area.	55,062
Mark L. Morris, Jr. CAF - Established in 1983, the fund was created to increase Foundation investments. In 1992, the Foundation's Executive Committee approved a donor-submitted proposal that allows for the continued private management of this portion of the Foundation's funds. In accordance with the donor stipulation, a permanent endowment would be set up when 5% of the investment would support all operating activities of the Foundation. This stipulation was met December 1, 2001.	30,631,354
Matuska Fund - In 2002, the Estate of Eleanore Matuska donated $167,926 to be used to fund canine and feline health studies.	167,926
DiGioia Equine Species Endowment - Established in 2007 by the estate of Carol DiGioia, permanently restricted for future equine studies.	95,000
Canine Species Endowment - Established in 2007 by the Peggy Quinn estate, permanently restricted for canine health studies.	100,000
Canine Cancer Endowment - Established in 2007, this endowment will help fund the Foundation's Canine Cancer Consortium.	20,000
Mark L. Morris Jr. Family Fund - Permanently restricted fund established in 2006 by Dr. Mark L. Morris, Jr. for the purpose of funding canine, feline and/or avian health studies selected by the donor's representative.	5,479,823
Mark and Louise Morris Fund - Permanently restricted fund established in 2006 for the purpose for funding Fellowship Training Grants.	929,985
Mark L. Morris Jr. Wildlife Fund - Established in 2012, temporarily restricted for the use of exotic animals.	1,522,200
Dr. R.K. Anderson Animal Behavior Fund - Established in 2007 for the purpose of funding research to improve the behavioral health of companion animals.	148,445
Total Permanently Restricted Net Assets	$ 40,266,379

6. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by donors or time restrictions:

	2014
Released for health study expenses	$ 5,472,609
Released for operation expenses	705,737
Draw from capital appreciation fund for operations	1,307,829
Total	$ 7,486,175

7. Retirement Commitments

The Foundation made matching contributions of up to 6% to a Code Section 403(b)(7) custodial account for participating employees with at least one year of service. The above rate is subject to change by the Executive Committee. The Foundation's contributions for the fiscal year ending June 30, 2014 to the custodial accounts were approximately $67,509.

8. In-Kind Services

Volunteer scientists donate numerous hours evaluating, selecting and monitoring the animal health studies chosen to receive Foundation funding. These hours are individually tracked and recorded by the Foundation and equal $970,185. In addition, the Foundation received pro bono legal services valued at $21,845.

9. Commitments

At June 30, 2014, approximately 93% of the Foundation's investments was invested in investment partnerships and investment companies. Under the terms of certain partnership agreements, the Foundation is obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2014, the Foundation had uncalled commitments of approximately $5,080,710.

On June 29, 2007, the Foundation signed an operating lease agreement for office space. The lease term, a period of 85 months, commenced on October 1, 2007 with a starting fixed month's rent of $5,767, and then increasing on each anniversary. The Foundation signed an amendment to the operating lease agreement for additional space on March 1, 2011 with a starting additional fixed month's rent on March 1, 2012 of $1,198, and then increasing on each anniversary.

The Foundation expensed $106,284 in rent expense for fiscal year 2014. This amount includes a credit of $28,183 of deferred rent based on the fact that the Foundation lease agreement contains escalating annual rent clauses. Payments for fiscal year 2015 under this lease are $45,687.

Subsequent to year end, on July 25, 2014, the Foundation signed an operating lease agreement for a new office space location. The lease term is for a period of 96 months, which commenced on November 1, 2014 and had no lease payments due for the period November 1, 2014 through February 2015. On March 1, 2015, the rental payment will be $11,332 and will escalate every 12 months after that. The future payments under this lease agreement are as follows:

Year Ended June 30,		**Amount**
2015	$	45,328
2016		137,401
2017		141,650
2018		145,900
2019		150,149
2020		154,399
2021		158,648
2022		162,898
2023		55,244
Total	$	1,151,617

10. Canine Lifetime Health Project

Starting in 2011, the Foundation launched a study called the Canine Lifetime Health Project (CLHP). It is a prospective study of dogs to identify genetic, environmental and nutritional risk factors for the development of cancer and other health conditions. The study enrolls golden retrievers and follows them for up to 13 years. The Foundation expects to spend roughly $25 million on CLHP-related costs over the life of the study.

11. Subsequent Events

The Foundation has reviewed and considered subsequent events for disclosure in the financial statements through January 16, 2015, the date of the independent auditors' report, which is the date the financial statements were available to be issued.

Subsequent events are as described in Note 4 (Deposit - Fort Worth/Tarrant County Animal Foundation) and Note 9 (Commitments). Refer to respective notes for more information.

Additionally, the Foundation and certain donors have changed the Mark L. Morris Jr. CAF endowment to amend the corpus value and decrease the draw from 5% to 4%. Additionally, the three other Morris endowments were amended to reduce the draw from 5% to 4%. These amendments were effective July 1, 2014.