

Service Dog Project Inc.



Training Dogs for the Mobility Impaired

REPORT ON AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

SERVICE DOG PROJECT, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Service Dog Project, Inc.

We have audited the accompanying financial statements of Service Dog Project, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform our 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 auditor's judgment, including the assessment of the risks of material misstatements 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 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 Service Dog Project, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

BJHC PC

Topsfield, Massachusetts
April 29, 2019

SERVICE DOG PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	2017	2016
Cash and cash equivalents, substantially all in interest bearing accounts	\$ 165,616	\$ 135,459
Grants receivable	150,000	50,000
Due from officers	2,588	2,588
Property and equipment, net	340,703	304,503
TOTAL ASSETS	<u>\$ 658,907</u>	<u>\$ 492,550</u>

<u>LIABILITIES AND NET ASSETS</u>		
Liabilities -		
Accounts payable and accrued expenses	\$ 18,320	\$ 11,620
Net assets:		
Unrestricted	490,587	430,930
Temporarily restricted	150,000	50,000
Total net assets	640,587	480,930
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 658,907</u>	<u>\$ 492,550</u>

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

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:			
Grants	\$ -	\$ 300,000	\$ 300,000
Special events, net of related fees	230,085	-	230,085
Contributions	230,462	-	230,462
In-kind contributions	-	128,677	128,677
Store and calendar sales	28,911	-	28,911
Investment income	161	-	161
	489,619	428,677	918,296
Net assets released from program restrictions	328,677	(328,677)	-
Total support and revenues	818,296	100,000	918,296
EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	669,860	-	669,860
SUPPORT SERVICES:			
Management and general	61,407	-	61,407
Fundraising	27,372	-	27,372
Total support services	88,779	-	88,779
Total expenses	758,639	-	758,639
CHANGE IN NET ASSETS	59,657	100,000	159,657
NET ASSETS, BEGINNING OF YEAR	430,930	50,000	480,930
NET ASSETS, END OF YEAR	\$ 490,587	\$ 150,000	\$ 640,587

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

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:			
Grants	\$ -	\$ 102,904	\$ 102,904
Special events, net of related fees	218,423	-	218,423
Contributions	245,860	-	245,860
In-kind contributions	-	120,718	120,718
Store and calendar sales	35,430	-	35,430
Investment income	299	-	299
	500,012	223,622	723,634
Net assets released from program restrictions	173,622	(173,622)	-
Total support and revenues	673,634	50,000	723,634
EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	728,468	-	728,468
SUPPORT SERVICES:			
Management and general	61,864	-	61,864
Fundraising	34,620	-	34,620
Total support services	96,484	-	96,484
Total expenses	824,952	-	824,952
CHANGE IN NET ASSETS	(151,318)	50,000	(101,318)
NET ASSETS, BEGINNING OF YEAR	582,248	-	582,248
NET ASSETS, END OF YEAR	\$ 430,930	\$ 50,000	\$ 480,930

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

SERVICE DOG PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Service Dog Training and Placement	Management and General	Fundraising	Total
Animal costs:				
Dog food and feed	\$ 72,629	\$ -	\$ -	\$ 72,629
Veterinary care	15,879	-	-	15,879
Supplies and other	38,070	-	-	38,070
Total animal costs	126,578	-	-	126,578
Payroll costs:				
Salaries and wages	299,099	28,298	-	327,397
Payroll taxes and benefits	65,197	5,472	-	70,669
Total payroll costs	364,296	33,770	-	398,066
Other costs:				
Occupancy	88,246	8,349	-	96,595
Advertising and fundraising	-	-	27,372	27,372
Depreciation	38,292	3,623	-	41,915
Repairs and maintenance	7,620	-	-	7,620
Travel and transportation	28,330	-	-	28,330
Insurance	6,757	639	-	7,396
Professional fees	3,234	7,806	-	11,040
Office expense	-	6,604	-	6,604
Telephone	6,507	616	-	7,123
Total other costs	178,986	27,637	27,372	233,995
Total expenses	\$ 669,860	\$ 61,407	\$ 27,372	\$ 758,639

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

SERVICE DOG PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Service Dog Training and Placement	Management and General	Fundraising	Total
Animal costs:				
Dog food and feed	\$ 63,024	\$ -	\$ -	\$ 63,024
Veterinary care	34,722	-	-	34,722
Supplies and other	42,455	-	-	42,455
Total animal costs	140,201	-	-	140,201
Payroll costs:				
Salaries and wages	327,905	20,677	-	348,582
Payroll taxes and benefits	60,566	3,819	-	64,385
Total payroll costs	388,471	24,496	-	412,967
Other costs:				
Occupancy	95,904	6,048	-	101,952
Advertising and fundraising	-	-	34,620	34,620
Depreciation	48,172	3,038	-	51,210
Repairs and maintenance	10,294	-	-	10,294
Travel and transportation	23,228	-	-	23,228
Insurance	12,870	812	-	13,682
Professional fees	3,084	7,694	-	10,778
Office expense	-	19,383	-	19,383
Telephone	6,243	394	-	6,637
Total other costs	199,796	37,368	34,620	271,784
Total expenses	\$ 728,468	\$ 61,864	\$ 34,620	\$ 824,952

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

SERVICE DOG PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 159,657	\$ (101,318)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,915	51,210
Cash provided by (used in) changes in:		
Grants receivable	(100,000)	110,000
Accounts payable and accrued expenses	6,700	3,709
NET CASH PROVIDED BY OPERATING ACTIVITIES	108,272	63,601
CASH FLOWS FROM INVESTING ACTIVITIES -		
Additions to property and equipment	(78,115)	(113,548)
NET CASH USED IN INVESTING ACTIVITIES	(78,115)	(113,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,157	(49,947)
CASH AND CASH EQUIVALENTS, BEGINNING	135,459	185,406
CASH AND CASH EQUIVALENTS, ENDING	\$ 165,616	\$ 135,459
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

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

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

OPERATIONS:

Service Dog Project, Inc., "SDP," was founded in 2003 to train Great Danes and other dogs to assist individuals having severe balance and mobility limitations due to neurological diseases or other injuries. SDP's dogs receive extensive training for balance and mobility. SDP is fully accredited by Assistance Dogs International.

SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

SDP reports 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. These classifications are related to the existence or absence of donor imposed restrictions as follows:

- Unrestricted net assets represent the portion of net assets of SDP that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by SDP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of SDP pursuant to those stipulations.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by SDP is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of SDP.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of presentation in the statements of cash flows, SDP considers liquid temporary investments with original maturities of 90 days or less to be cash equivalents. Cash equivalents consist of money market accounts. SDP maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. SDP has not experienced any losses in such accounts. Management believes SDP is not exposed to any significant credit risk on cash and cash equivalents.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Contribution and Grant Revenue

Unrestricted contributions are recorded as public support and unrestricted net assets when received. Grants and contributions received with restrictions placed on their designated program use are recorded in the accompanying financial statements as temporarily restricted net assets. Grants and contributions received with restrictions placed on their use for the purchase of long-lived assets are recorded in the accompanying financial statements as temporarily restricted net assets. Grant revenue is recorded over the period covered by the grant as expenses related directly to the grant are incurred, or in the case of grants for the purchase of long-lived assets, revenue is recorded over the related useful life of the asset purchased.

It is SDP's policy to apply a time restriction, based on a long-lived asset's useful life, on donations to be used to acquire long-lived assets. Accordingly, those donations are recorded as increases in temporarily restricted net assets. SDP reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the long-lived asset.

Unconditional Promises to Give

Unconditional promises to give (contributions) are recorded in the financial statements as receivables and revenue of the appropriate net asset category in the year the pledge is made.

In-kind Donations

Contributions of noncash assets (pet food and rent) (see Note 4) are recorded at their fair values in the period received.

SDP has entered into a Shelter Agreement with Nestle Purina PetCare Company ("Nestle Purina") where Nestle Purina contributes certain Purina® brand wet and dry adult dog food to SDP each month. The Agreement prohibits the use of other pet food brands unless a dog requires special medical accommodations specified by a licensed veterinarian. Donated pet food is received on pallets, stored and prepared for program use at SDP. All pet food is valued at its retail value obtained by reference to current grocer price lists.

The Shelter Agreement continues for a period of one (1) year unless terminated earlier.

The success of SDP's programs is dependent upon the non-specialized services of volunteers from the community in the regular maintenance and exercise of SDP's dogs. The value of these particular services has not been recorded in the accompanying financial statements because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been satisfied.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value at the date of contribution. Absent donor stipulation of how long assets must be used, contributions of property and equipment are recorded as unrestricted support. Depreciation is recorded using the straight-line method over the estimated useful life of the asset or the remaining lease term in the case of building improvements. Purchases of property and equipment exceeding \$2,000 are capitalized.

Maintenance and repairs of the buildings and grounds are charged to expense in the period incurred. The cost and accumulated depreciation of assets retired or sold are removed from the statement of financial position and any gain or loss is credited or charged to income.

Impairment of Long-Lived Assets

SDP has given consideration to impairment of its long-lived assets in its presentation of these financial statements. SDP has not recognized any reduction in the carrying value of its property.

Advertising

SDP expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2017 and 2016, were \$16,583 and \$17,664, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses are allocated based on employee job description and estimated time spent on the function. Occupancy, depreciation, insurance, and telephone are allocated based on payroll allocations.

Tax Status

SDP was incorporated under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. SDP is a nonprofit organization exempt from federal income taxes (not a private foundation) under section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to SDP within the Internal Revenue Code regulations.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

SIGNIFICANT ACCOUNTING POLICIES (continued):

Uncertainty of Income Taxes

The primary tax positions made by SDP are the existence of unrelated business income and SDP's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. SDP currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. For the years presented, SDP has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

Management's Review

Management has evaluated events and transactions for potential recognition or disclosure through April 29, 2019, the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2017 and 2016:

	2017	2016
Equipment	\$ 162,250	\$ 139,463
Building improvements	372,433	317,105
	534,683	456,568
Less accumulated depreciation	193,980	152,065
Property and equipment, net	<u>\$ 340,703</u>	<u>\$ 304,503</u>

3. SPECIAL EVENTS AND FUNDRAISING

SDP sponsors a continuous monthly fundraiser known as "Chicken Bricks". Participants purchase virtual, pre-numbered "bricks" or squares on a virtual wall via the online website, Memsaic. Once a month, three chickens are released onto a large, vinyl board sectioned off into squares. When the first chicken has pooped onto a square, the holder of that number wins a token appreciation gift and certificate from SDP. An annual summary of the results of this fundraiser is as follows:

	2017	2016
Fundraising revenue	\$244,602	\$242,759
Memsaic fees	24,460	24,336
Net fundraiser revenues	<u>\$220,142</u>	<u>\$218,423</u>

SDP also holds an annual event known as "Dog Fest". Dog Fest provides registered guests two days to socialize with volunteers, staff and the shelter animals.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. STORE AND CALENDAR SALES

SDP operates an online retail store where visitors can purchase clothing, calendars, publications, dog accessories and jewelry. Sales are recognized as goods are shipped.

5. LEASE COMMITMENT (IN-KIND) AND RELATED PARTY TRANSACTIONS

SDP leases its premises from the organization's founder and Executive Director. SDP has no entire interest in the property nor is it a beneficiary of the property. The founder obtained a Comparative Market Analysis performed on the property in July, 2017. The analysis concluded the fair market rental value of the property was \$5,000 per month.

SDP leases the property for \$1 per month and expires (5) five years after the founder's death. Thereafter, monthly rent will be set at the then current fair market rental value. The agreement expires on December 31, 2024, however, SDP has an option to extend the lease for an additional (5) five years. SDP is responsible for real estate taxes, utilities, landscaping, snow removal, and insurance. SDP also has a right of first refusal to purchase the property.

In-kind rent of \$60,000 is reflected in the accompanying Statement of Functional Expenses for the years ended December 31, 2017 and 2016.

Future minimum lease obligations are \$12 per year.

6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Grants restricted by time	\$150,000	\$50,000

7. RELATED PARTIES

The Executive Director and founder, also serves as SDP's President and Treasurer. The Executive Director's daughter also serves as one of SDP's directors.

8. INDEMNIFICATION

SDP's Articles of Organization provide that SDP indemnify its officers and directors for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of SDP. The maximum potential amount of future payments SDP could be required to make under these indemnification agreements is unlimited. SDP may also enter into other indemnification agreements in the normal course of business. As of December 31, 2017, SDP had not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding.