

# Service Dog Project Inc.



Training Dogs for the Mobility Impaired

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

SERVICE DOG PROJECT, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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  
October 31, 2019

SERVICE DOG PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents, substantially all in interest bearing accounts	\$ 200,283	\$ 165,616
Grants receivable	-	150,000
Prepaid insurance	6,640	6,018
Due from officer	2,588	2,588
Property and equipment, net	322,953	340,703
	<hr/>	<hr/>
TOTAL ASSETS	\$ 532,464	\$ 664,925
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities -		
Accounts payable and accrued expenses	\$ 16,620	\$ 21,320
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	515,844	493,605
With donor restrictions	-	150,000
	<hr/>	<hr/>
Total net assets	515,844	643,605
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 532,464	\$ 664,925
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*The accompanying notes are an integral part of these financial statements.*

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
<b>SUPPORT AND REVENUES:</b>			
Grants	\$ -	\$ 50,000	\$ 50,000
Special events, net of related fees	212,176	-	212,176
Contributions	294,979	-	294,979
In-kind contributions	-	128,677	128,677
Store and calendar sales	18,926	-	18,926
Investment income	113	-	113
	<u>526,194</u>	<u>178,677</u>	<u>704,871</u>
Net assets released from program restrictions	<u>328,677</u>	<u>(328,677)</u>	<u>-</u>
Total support and revenues	<u>854,871</u>	<u>(150,000)</u>	<u>704,871</u>
<b>EXPENSES:</b>			
<b>PROGRAM SERVICES:</b>			
Service dog training and placement	<u>735,933</u>	<u>-</u>	<u>735,933</u>
<b>SUPPORT SERVICES:</b>			
Management and general	68,582	-	68,582
Fundraising	28,117	-	28,117
Total support services	<u>96,699</u>	<u>-</u>	<u>96,699</u>
Total expenses	<u>832,632</u>	<u>-</u>	<u>832,632</u>
CHANGE IN NET ASSETS	22,239	(150,000)	(127,761)
NET ASSETS, BEGINNING OF YEAR	<u>493,605</u>	<u>150,000</u>	<u>643,605</u>
NET ASSETS, END OF YEAR	<u>\$ 515,844</u>	<u>\$ -</u>	<u>\$ 515,844</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

	Without Donor Restrictions	With Donor Restrictions	2017 Total
<b>SUPPORT AND REVENUES:</b>			
Grants	\$ -	\$ 300,000	\$ 300,000
Special events, net of related fees	220,142	-	220,142
Contributions	230,462	-	230,462
In-kind contributions	-	128,677	128,677
Store and calendar sales	28,911	-	28,911
Investment income	163	-	163
	<u>479,678</u>	<u>428,677</u>	<u>908,355</u>
Net assets released from program restrictions	328,677	(328,677)	-
	<u>808,355</u>	<u>100,000</u>	<u>908,355</u>
<b>EXPENSES:</b>			
<b>PROGRAM SERVICES:</b>			
Service dog training and placement	651,241	-	651,241
<b>SUPPORT SERVICES:</b>			
Management and general	80,026	-	80,026
Fundraising	27,372	-	27,372
	<u>107,398</u>	<u>-</u>	<u>107,398</u>
	<u>758,639</u>	<u>-</u>	<u>758,639</u>
CHANGE IN NET ASSETS	49,716	100,000	149,716
NET ASSETS, BEGINNING OF YEAR	443,889	50,000	493,889
NET ASSETS, END OF YEAR	<u>\$ 493,605</u>	<u>\$ 150,000</u>	<u>\$ 643,605</u>

*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, 2018

	Service Dog Training and Placement	Management and General	Fundraising	Total
Animal costs:				
Dog food and feed	\$ 72,847	\$ -	\$ -	\$ 72,847
Veterinary care	33,976	-	-	33,976
Supplies and other	36,705	-	-	36,705
Total animal costs	143,528	-	-	143,528
Payroll costs:				
Salaries and wages	347,766	28,298	-	376,064
Payroll taxes and benefits	44,310	3,606	-	47,916
Total payroll costs	392,076	31,904	-	423,980
Other costs:				
Occupancy	95,955	7,808	-	103,763
Advertising and fundraising	-	-	28,117	28,117
Depreciation	33,784	2,749	-	36,533
Repairs and maintenance	12,832	-	-	12,832
Travel and transportation	40,776	-	-	40,776
Insurance	8,003	651	-	8,654
Professional fees	3,506	6,435	-	9,941
Office expense	-	18,590	-	18,590
Telephone	5,473	445	-	5,918
Total other costs	200,329	36,678	28,117	265,124
Total expenses	\$ 735,933	\$ 68,582	\$ 28,117	\$ 832,632

*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

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	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	288,484	38,913	-	327,397
Payroll taxes and benefits	62,270	8,399	-	70,669
Total payroll costs	350,754	47,312	-	398,066
Other costs:				
Occupancy	85,114	11,481	-	96,595
Advertising and fundraising	-	-	27,372	27,372
Depreciation	36,933	4,982	-	41,915
Repairs and maintenance	7,620	-	-	7,620
Travel and transportation	28,330	-	-	28,330
Insurance	6,517	879	-	7,396
Professional fees	3,119	7,921	-	11,040
Office expense	-	6,604	-	6,604
Telephone	6,276	847	-	7,123
Total other costs	173,910	32,713	27,372	233,995
Total expenses	\$ 651,241	\$ 80,026	\$ 27,372	\$ 758,639

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*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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (127,761)	\$ 159,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,533	41,915
Cash provided by (used in) changes in:		
Grants receivable	150,000	(100,000)
Prepaid insurance	(622)	-
Accounts payable and accrued expenses	(4,700)	6,700
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>53,450</u>	<u>108,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Additions to property and equipment	<u>(18,783)</u>	<u>(78,115)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(18,783)</u>	<u>(78,115)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,667	30,157
CASH AND CASH EQUIVALENTS, BEGINNING	<u>165,616</u>	<u>135,459</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 200,283</u>	<u>\$ 165,616</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 2,714	\$ -
Income taxes	\$ -	\$ -

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

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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**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 classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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, 2018 AND 2017

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**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, 2018 AND 2017

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**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, 2018 and 2017, were \$20,074 and \$16,583, 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, 2018 AND 2017

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**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 October 31, 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, 2018 and 2017:

	2018	2017
Equipment	\$ 168,883	\$ 162,250
Building improvements	384,583	372,434
	<u>553,466</u>	<u>534,684</u>
Less accumulated depreciation	230,513	193,980
Property and equipment, net	<u>\$ 322,953</u>	<u>\$ 340,704</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:

	2018	2017
Fundraising revenue	\$223,862	\$244,602
Memsaic fees	22,386	24,460
Net fundraiser revenues	<u>\$201,476</u>	<u>\$220,142</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, 2018 AND 2017

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**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, 2018 and 2017.

Future minimum lease obligations are \$12 per year.

**6. RESTRICTIONS ON NET ASSETS**

Net assets with donor are available for the following purposes:

	2017
Grants restricted by time	\$150,000

**7. RELATED PARTIES**

The Executive Director and founder, also serves as SDP's Treasurer. The Executive Director is uncompensated. The Executive Director's daughter also serves as chairman of SDP's Board of Directors.

A director also renders veterinary services to the animals at SDP. For the years ended December 31, 2018 and 2017, SDP paid \$33,976 and \$15,879, respectively, for veterinary care.

**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, 2018, SDP had not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding.