

Service Dog Project Inc.



Training Dogs for the Mobility Impaired

REPORT ON AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

SERVICE DOG PROJECT, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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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 nonprofit), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "BJHC PC". The letters are bold and stylized, with some overlapping.

Topsfield, Massachusetts
November 09, 2020

SERVICE DOG PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	2019	2018
Cash and cash equivalents, substantially all in interest bearing accounts	\$ 422,762	\$ 200,283
Contributions receivable	11,349	-
Grants receivable	150,000	-
Prepaid insurance	9,033	6,640
Due from officer	2,588	2,588
Property and equipment, net	344,566	322,953
TOTAL ASSETS	\$ 940,298	\$ 532,464
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities -		
Accounts payable and accrued expenses	\$ 20,056	\$ 16,620
Net assets:		
Without donor restrictions	770,242	515,844
With donor restrictions	150,000	-
Total net assets	920,242	515,844
TOTAL LIABILITIES AND NET ASSETS	\$ 940,298	\$ 532,464

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

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
SUPPORT AND REVENUES:			
Grants	\$ -	\$ 356,000	\$ 356,000
Special events, net of cost of direct benefits to donors	228,106	-	228,106
Contributions	542,078	-	542,078
In-kind contributions	-	120,428	120,428
Store and calendar sales	12,730	-	12,730
Investment income	1,553	-	1,553
	<u>784,467</u>	<u>476,428</u>	<u>1,260,895</u>
Net assets released from program restrictions	<u>326,428</u>	<u>(326,428)</u>	<u>-</u>
Total support and revenues	<u>1,110,895</u>	<u>150,000</u>	<u>1,260,895</u>
EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	<u>695,544</u>	<u>-</u>	<u>695,544</u>
SUPPORT SERVICES:			
Management and general	138,515	-	138,515
Fundraising	22,438	-	22,438
Total support services	<u>160,954</u>	<u>-</u>	<u>160,954</u>
Total expenses	<u>856,497</u>	<u>-</u>	<u>856,497</u>
CHANGE IN NET ASSETS	254,398	150,000	404,398
NET ASSETS, BEGINNING OF YEAR	<u>515,844</u>	<u>-</u>	<u>515,844</u>
NET ASSETS, END OF YEAR	<u>\$ 770,242</u>	<u>\$ 150,000</u>	<u>\$ 920,242</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, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
SUPPORT AND REVENUES:			
Grants	\$ -	\$ 50,000	\$ 50,000
Special events, net of cost of direct benefits to donors	226,518	-	226,518
Contributions	294,979	-	294,979
In-kind contributions	-	128,677	128,677
Store and calendar sales	(475)	-	(475)
Investment income	113	-	113
	521,135	178,677	699,812
Net assets released from program restrictions	328,677	(328,677)	-
Total support and revenues	849,812	(150,000)	699,812
EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	676,500	-	676,500
SUPPORT SERVICES:			
Management and general	128,014	-	128,014
Fundraising	23,059	-	23,059
Total support services	151,073	-	151,073
Total expenses	827,573	-	827,573
CHANGE IN NET ASSETS	22,239	(150,000)	(127,761)
NET ASSETS, BEGINNING OF YEAR	493,605	150,000	643,605
NET ASSETS, END OF YEAR	\$ 515,844	\$ -	\$ 515,844

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, 2019

	Service Dog Training and Placement	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Animal costs:					
Dog food and feed	\$ 61,515	\$ -	\$ -	\$ -	\$ 61,515
Veterinary care	44,784	-	-	-	44,784
Supplies and other	30,002	-	-	-	30,002
Total animal costs	136,301	-	-	-	136,301
Payroll costs:					
Salaries and wages	348,434	74,762	-	-	423,196
Payroll taxes and benefits	45,798	9,827	-	-	55,625
Total payroll costs	394,232	84,589	-	-	478,821
Other costs:					
Occupancy	84,875	18,211	-	-	103,086
Depreciation	33,406	7,168	-	-	40,574
Advertising and fundraising	-	-	22,438	20,322	42,760
Travel and transportation	20,858	-	-	-	20,858
Office expense	-	15,458	-	-	15,458
Professional fees	3,296	10,032	-	-	13,328
Insurance	8,181	1,755	-	-	9,936
Repairs and maintenance	8,326	-	-	-	8,326
Telephone	6,069	1,302	-	-	7,371
Total other costs	165,011	53,927	22,438	20,322	261,697
Total expenses by function	695,544	138,515	22,438	20,322	876,819
Less expenses included with revenue on the statement of activities:					
Advertising and fundraising	-	-	-	(20,322)	(20,322)
Total expenses included in the expense section on the statement of activities	\$ 695,544	\$ 138,515	\$ 22,438	\$ -	\$ 856,497

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	Cost of Direct Benefits to Donors	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	309,405	66,659	-	-	376,064
Payroll taxes and benefits	39,423	8,493	-	-	47,916
Total payroll costs	348,828	75,152	-	-	423,980
Other costs:					
Occupancy	85,371	18,392	-	-	103,763
Travel and transportation	40,776	-	-	-	40,776
Depreciation	30,057	6,476	-	-	36,533
Advertising and fundraising	-	-	23,059	27,444	50,503
Office expense	-	18,590	-	-	18,590
Repairs and maintenance	12,832	-	-	-	12,832
Professional fees	3,119	6,822	-	-	9,941
Insurance	7,120	1,534	-	-	8,654
Telephone	4,869	1,049	-	-	5,918
Total other costs	184,145	52,862	23,059	27,444	287,510
Total expenses by function	676,500	128,014	23,059	27,444	855,018
Less expenses included with revenue on the statement of activities:					
Advertising and fundraising	-	-	-	(27,444)	(27,444)
Total expenses included in the expense section on the statement of activities	\$ 676,500	\$ 128,014	\$ 23,059	\$ -	\$ 827,574

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 404,398	\$ (127,761)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	40,574	36,533
Cash provided by (used in) changes in:		
Contributions receivable	(11,349)	-
Grants receivable	(150,000)	150,000
Prepaid insurance	(2,393)	(622)
Accounts payable and accrued expenses	3,436	(4,700)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>284,666</u>	<u>53,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Additions to property and equipment	<u>(62,187)</u>	<u>(18,783)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(62,187)</u>	<u>(18,783)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,479	34,667
CASH AND CASH EQUIVALENTS, BEGINNING	<u>200,283</u>	<u>165,616</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 422,762</u>	<u>\$ 200,283</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, 2019 AND 2018

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.

(Continued)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Contribution and Grant Revenue

Contributions without donor restrictions are recorded as public support and net assets without donor restrictions when received or pledged. Grants and contributions received with restrictions placed on their designated program use are recorded in the accompanying financial statements as net assets with donor restrictions. Grants and contributions received with restrictions placed on their use for the purchase of long-lived assets are also recorded in the accompanying financial statements as net assets with donor restrictions. Grant revenue is recorded over the period covered by the grant as expenses related directly to the grant are incurred.

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. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

In-kind Donations

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

SDP has entered into an annual Shelter Agreement with Nestle Purina PetCare Company (“Nestle Purina”) where Nestle Purina contributes certain Purina® brand wet and dry adult and puppy 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 dog food is received on pallets, stored and prepared for program use at SDP. In-kind dog 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.

(Continued)

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, were \$11,048 and \$20,074, 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.

SDP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 November 09, 2020, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 195,345	\$ 168,883
Building improvements	384,583	384,583
Vehicles	35,725	-
	<u>615,653</u>	<u>553,466</u>
Less accumulated depreciation	271,087	230,513
Property and equipment, net	<u>\$ 344,566</u>	<u>\$ 322,953</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:

	<u>2019</u>	<u>2018</u>
Fundraising revenue	\$ 213,668	\$ 223,862
Memsaic fees	21,664	22,386
Net fundraiser revenue	<u>\$ 235,332</u>	<u>\$ 246,248</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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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 the lease 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 included in occupancy in the accompanying Statements of Functional Expenses for the years ended December 31, 2019 and 2018.

Future minimum lease obligations are \$12 per year.

6. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions of \$150,000 are restricted as to time and are available for general operations in 2020.

7. RELATED PARTIES

The Executive Director and founder also serves as SDP's Treasurer. The Executive Director is uncompensated.

A director also renders veterinary services to the animals at SDP. For the years ended December 31, 2019 and 2018, SDP paid \$44,784 and \$33,976, 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, 2019, SDP had not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

9. CONCENTRATION OF CREDIT RISK

SDP's cash is primarily deposited with two financial institutions. Cash accounts at banks are insured by the FDIC for up to \$250,000. Amounts in excess of insured limits were approximately \$77,000 at December 31, 2019.

10. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 422,762	\$ 200,283
Contributions receivable	11,349	-
Grants receivable	150,000	-
	<u>\$ 584,111</u>	<u>\$ 200,283</u>

SDP also obtained a SBA Paycheck Protection Program loan in April, 2020 through the CARES Act totaling approximately \$87,000 (see below).

As part of SDP's liquidity management plan, excess cash is invested in savings and bank money market accounts.

11. SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses and organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing. Management does not expect this matter to impact its short-term operating results. However, longer term financial impacts (if any) and duration of the outbreak cannot be reasonably estimated at this time.

SDP obtained a SBA Paycheck Protection Program loan in April, 2020 through the CARES Act totaling approximately \$87,000. Principal may be forgiven to the extent used in accordance with the provisions of the loan program. Commencing November, 2020, principal amounts outstanding (unforgiven, if any) will be due in monthly installments of principal and interest at 1% through March, 2022.