

Guardian Angels Medical Service Dogs, Inc.

Financial Statements
And
Independent Auditors' Report

April 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Guardian Angels Medical Service Dogs, Inc.

July 26, 2017

Report on the Financial Statements

We have audited the accompanying financial statements of the Guardian Angels Medical Service Dogs, Inc. (the Organization), which comprise the statement of financial position as of April 30, 2017, 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 auditor's 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 qualified audit opinion.

Basis for Qualified Opinion. The Organization conducts direct mail activities that include fundraising appeals. The Organization has reported \$546,570 of the costs of these activities as program. However, accounting principles generally accepted in the United States of America require certain criteria for allocation of costs to programs that, in our opinion, have not been met. Accordingly, in our opinion, all costs of the direct mail campaign should be classified as fundraising.

Qualified Opinion. In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2017, 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.

Report on Summarized Comparative Information. We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kattell and Company P.L.

"Not everything that counts can be counted, and not everything that can be counted counts."

- Albert Einstein

Statement of Financial Position
For the Year Ended April 30, 2017
 (with summarized information for 2016)
Guardian Angels Medical Service Dogs, Inc.

	<u>2017</u>	<u>Restated 2016</u>
Assets		
Cash	\$ 800,775	\$ 130,663
Pledge Receivable	50,000	--
Prepaid Expenses	26,101	4,022
Property and Equipment, Net	<u>73,980</u>	<u>42,427</u>
Total Assets	<u>\$ 950,856</u>	<u>\$ 177,112</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	<u>\$ 95,071</u>	<u>\$ 21,240</u>
Total Liabilities	95,071	21,240
Net Assets:		
Unrestricted		
Invested in Property and Equipment	73,980	42,427
Other	<u>731,805</u>	<u>113,445</u>
Total Unrestricted	805,785	155,872
Temporarily Restricted	<u>50,000</u>	<u>--</u>
Total Net Assets - Unrestricted	<u>855,785</u>	<u>155,872</u>
Total Liabilities and Net Assets	<u>\$ 950,856</u>	<u>\$ 177,112</u>

See accompanying notes

Statement of Activities
For the Year Ended April 30, 2017
(with summarized information for 2016)
Guardian Angels Medical Service Dogs, Inc.

	<u>Unrestricted</u>	2017 <u>Temporarily</u> <u>Restricted</u>	<u>Total</u>	2016 <u>Total</u>
<u>Revenues:</u>				
Contributions:				
Direct Mail Campaign	\$ 906,252	\$ --	\$ 906,252	\$ 228,271
Board Members	8,911	--	8,911	3,984
Other	1,548,069	50,000	1,598,069	480,977
Special Event: Bark-A-Que				
Revenue	32,896	--	32,896	27,047
Direct Donor Benefit	(6,765)	--	(6,765)	(5,644)
Net	<u>26,131</u>	<u>--</u>	<u>26,131</u>	<u>21,403</u>
Store:				
Sales	9,557	--	9,557	33,243
Cost of Goods Sold	(2,473)	--	(2,473)	(11,985)
Net	<u>7,084</u>	<u>--</u>	<u>7,084</u>	<u>21,258</u>
Total Revenues	2,496,447	50,000	2,546,447	755,893
<u>Expenses:</u>				
Program Services	1,236,275	--	1,236,275	495,891
Management and General	177,334	--	177,334	23,933
Fundraising	432,925	--	432,925	148,313
Total Expenses	1,846,534	--	1,846,534	668,137
Change in Net Assets	649,913	50,000	699,913	87,756
Net Assets, Beginning of Year	155,872	--	155,872	68,116
Net Assets, End of Year	\$ 805,785	\$ 50,000	\$ 855,785	\$ 155,872

See accompanying notes

Statement of Functional Expenses
For the Year Ended April 30, 2017
(with summarized information for 2016)
Guardian Angels Medical Service Dogs, Inc.

	Program Services		Supporting Activities			2017 Total Expenses	2016 Total Expenses
	Pairing	Outreach	Management & General	Fundraising	Direct Donor Benefits		
Salaries & Benefits	\$ 290,873	\$ --	\$ 67,973	\$ 45,381	\$ --	\$ 404,227	\$ 240,598
Payroll Taxes	23,046	--	5,385	3,595	--	32,026	19,930
Advertising & Promotion	3,155	--	--	28,753	--	31,908	9,468
Food & Beverage	10,913	--	998	1,388	3,400	16,699	1,410
Depreciation	7,655	--	425	425	--	8,505	6,600
Dog Food & Supplies	79,138	--	--	--	--	79,138	73,581
Information Technology	11,302	--	6,781	4,520	--	22,603	6,352
Insurance	3,912	--	460	230	--	4,602	4,730
Maintenance	25,400	--	1,738	--	--	27,138	15,727
Supplies	18,508	--	--	--	--	18,508	12,017
Office Expense	3,116	--	15,580	12,463	--	31,159	13,530
Professional Fees	83,700	--	72,845	11,963	2,900	171,408	13,865
Rent	28,722	--	906	604	465	30,697	24,107
Store Cost of Goods Sold	2,473	--	--	--	--	2,473	11,985
Travel	68,486	--	3,714	2,074	--	74,274	15,205
Utilities	4,231	--	529	528	--	5,288	4,131
Veterinarian Care	27,548	--	--	--	--	27,548	19,813
Direct Mail Activities:							
Printing	--	155,704	--	91,445	--	247,149	58,958
Postage	--	107,634	--	63,214	--	170,848	58,208
Agency Fee	--	58,730	--	34,492	--	93,222	30,372
Supplies	--	182,831	--	107,377	--	290,208	26,445
Advertising	--	23,453	--	13,774	--	37,227	9,521
Data Processing	--	18,218	--	10,699	--	28,917	9,213
Total Expenses	692,178	546,570	177,334	432,925	6,765	1,855,772	685,766
Cost of Donor Benefits – Special Event (Note 3)	--	--	--	--	(6,765)	(6,765)	(5,644)
Cost of Goods Sold – Store	(2,473)	--	--	--	--	(2,473)	(11,985)
Total Functional Expenses							
– Statement of Activities	\$ 689,705	\$ 546,570	\$ 177,334	\$ 432,925	\$ --	\$ 1,846,534	\$ 668,137

See accompanying notes.

Statement of Cash Flows
For the Year Ended April 30, 2017
(with summarized information for 2016)
Guardian Angels Medical Service Dogs, Inc.

	<u>2017</u>	Restated <u>2016</u>
Operating Activities:		
Change in Net Assets	\$ 699,913	\$ 87,756
Adjustments:		
Depreciation	8,505	6,600
Changes in:		
Receivables	(50,000)	--
Prepaid Expenses	(22,079)	(4,022)
Accounts Payable	<u>73,831</u>	<u>9,687</u>
Net Cash Provided By (Used In) Operating Activities	710,170	100,021
Investing Activities:		
Purchases of Property and Equipment	<u>(40,058)</u>	<u>(35,077)</u>
Net Cash Provided by (Used In) Investing Activities	(40,058)	(35,077)
Net Increase (Decrease) in Cash	670,112	64,944
Cash, Beginning of Year	<u>130,663</u>	<u>65,719</u>
Cash, End of Year	<u>\$ 800,775</u>	<u>\$ 130,663</u>

See accompanying notes.

Notes to the Financial Statements
April 30, 2017
Guardian Angels Medical Service Dogs, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Guardian Angels Medical Service Dogs, Inc. (the Organization), a Florida Not-for-Profit corporation located in Williston, Florida, was established in 2010 for the charitable purpose of:

- Rescuing, raising, and training the highest caliber medical service/assistance dogs.
- Pairing highly trained dogs with individuals afflicted by disabilities, including a focus on veterans with combat wounds.
- Building/restoring independence and improving quality of life, for both the recipient and the dog, while minimizing reliance on government, communities, caregivers, and families.
- Advancing successful service dog training practices by promoting appropriate trainer education and contributing to related research studies.
- Pursuing increased public awareness and education regarding current disability laws and contributing to new/enhanced laws regarding service dogs.

Tax Exempt Status

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not earn any unrelated business income. Therefore, no provision for income taxes is reflected in the accompanying financial statements. In addition, the Organization qualifies for the charitable contributions deduction and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is considered a voluntary health and welfare organization and a statement of functional expenses is presented.

Cash

Cash consists of deposits in banks insured by the Federal Deposit Insurance Corporation (FDIC). The Organization had approximately \$372,102.78 of deposits in excess of FDIC coverage at April 30, 2017.

Grant Receivable

The Organization recorded a grant receivable from one of its donors. No allowance is provided since the amount is deemed fully collectable and no discount is computed since it is expected to be received within one year. There are no identifiable concentrations of credit risk related to this amount.

Property and Equipment

Property and equipment expenditures in excess of \$2,500 are recorded at cost when purchased or, if donated, at estimated fair value. Additions and improvements that materially prolong the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5 to 10 years.

Net Assets

Net assets, the excess of assets over liabilities, are reported in three mutually exclusive classes:

- *Permanently Restricted* - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions that do not expire by passage of time or cannot be fulfilled by actions of the Corporation. The Organization held no permanently restricted assets at April 30, 2017 and 2016.
- *Temporarily Restricted* - Those net assets resulting from inflows of assets whose use is limited by donor-imposed restrictions which expire by passage of time or are fulfilled by actions of the Organization.
- *Unrestricted* - Those net assets that are not permanently nor temporarily restricted.

Notes to the Financial Statements
April 30, 2017
Guardian Angels Medical Service Dogs, Inc.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions. Contributions are recognized as revenue when assets are received or unconditionally pledged and are recorded at their estimated fair values.

Contributions – Donor Restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Amounts that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support; however, donor-restricted contributions whose restrictions are met within the same fiscal year are reported as unrestricted support. When a temporary restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions – Donated Services. Contributions of services are recognized when received if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Functional Expenses

The operating expenses of the Organization are allocated to three functional categories based on management’s estimate of time engaged in each of the functions. These functions are defined below:

Pairing – The Organization rescues, raises, trains and donates highly skilled service dogs that are trained to mitigate the needs of individual veterans and others struggling with disabilities.

Outreach – The Organization conducts direct mail activities that educate the public and provide support to veterans receiving services from the Organization. See Note 4.

Management and General – The costs of operating the Organization’s affairs which are not allocable to other functional areas.

Fundraising – The costs associated with soliciting contributions or holding special events for the benefit of the Organization.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 70,082	\$ 48,627
Equipment	22,153	3,550
Total	92,235	52,177
Accumulated Depreciation	(18,255)	(9,750)
Net	<u>\$ 73,980</u>	<u>\$ 42,427</u>

Notes to the Financial Statements
April 30, 2017
Guardian Angels Medical Service Dogs, Inc.

NOTE 3 – SPECIAL EVENT

The Organization generated the following revenues and expenses from its Bark-A-Que event:

	<u>2017</u>	<u>2016</u>
Revenue:		
Ticket Sales	\$ 6,765	\$ 8,365
Donations	26,131	18,682
Total Event Revenue	32,896	27,047
Costs of Direct Donor Benefits	(6,765)	(5,644)
Net Revenue from Event	\$ 26,131	\$ 21,403

NOTE 4 – JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUND-RAISING APPEAL

The Organization conducts direct mail activities that include programmatic information with a request for contributions. During the years ended April 30, 2017 and 2016, the costs of direct mail activities included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows:

	<u>2017</u>	<u>2016</u>
Program Services	\$ 546,570	\$ 82,797
Fundraising	321,001	109,920
Total Costs of Direct Mail Activities	\$ 867,571	\$ 192,717

NOTE 5 – DONATED SERVICES

The Organization received approximately 18,136 hours of donated services from Board members, of which approximately 13,602 supported program services, 907 supported management and general activities and 3,627 supported fundraising activities. The Organization also received approximately 32,655 other volunteer hours donated by Regional Directors, UF Student volunteers and community volunteers; of these hours approximately 24,491 supported program services and 8,164 supported fundraising activities. At \$24.14 per hour, this amounts to \$1,226,095 of additional contributions and expenses. This hourly rate is the estimated value per hour of volunteer time for Florida as estimated by Independent Sector, http://www.independentsector.org/volunteer_time.

NOTE 6 – FACILITIES

The Organization leases land and buildings in Williston, Florida on a month-to-month basis for \$2,800 per month.

NOTE 7 – PRIOR PERIOD ADJUSTMENT

The statement of financial position as of April 30, 2016 reported a receivable of \$7,054 from direct mail activities. However, this amount should have been reported as Cash at \$26,786, Prepaid Expenses at \$1,122, and Accounts Payable of \$20,854 all of which are related to direct mail activities. These restatements affected the statement of financial position and the statement of cash flows but had no effect on the statement of activities.

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through July 26, 2017, which is the date the financial statements were available to be issued. On June 28, 2017, the Organization purchased the property they were previously renting for \$600,000 and financed \$480,000.