

**GUARDIAN ANGELS
MEDICAL SERVICE DOGS, INC.**

FINANCIAL STATEMENTS

April 30, 2018

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

We have audited the accompanying financial statements of Guardian Angels Medical Service Dogs, Inc., which comprise the statement of financial position as of April 30, 2018, 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.

Auditor's 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guardian Angels Medical Service Dogs, Inc. as of April 30, 2018, 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.

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GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
STATEMENT OF FINANCIAL POSITION
April 30, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 429,117
Accounts receivable	32,003
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Total current assets	461,120

PROPERTY AND EQUIPMENT

Land	440,000
Buildings	548,956
Vehicles and equipment	94,735
Accumulated depreciation	(36,982)
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Property and equipment - net	1,046,709

OTHER ASSETS

Beneficial interest in assets held by CFOMC	507,809
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Total assets

\$ 2,015,638

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 9,288
Accrued payroll	31,351
Current portion of long-term debt	36,958
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Total current liabilities	77,597

LONG-TERM LIABILITIES

Long-term debt - net of current portion	717,051
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Total liabilities

794,648

NET ASSETS

Undesignated	713,181
Board designated	507,809
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Total unrestricted	1,220,990
Temporarily restricted	-
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Total net assets

1,220,990

Total liabilities and net assets

\$ 2,015,638

See accompanying notes.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES
Year ended April 30, 2018

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Contributions	\$ 2,527,092
Program services	15,898
In-kind donations	20,418
Agency endowment return	(22,137)
Other income	<u>77,124</u>
Total unrestricted support and revenue	2,618,395
EXPENSES	
Program services	1,701,989
Supporting activities	
Management and general	209,504
Fundraising	<u>341,697</u>
Total expenses	2,253,190
Net assets released from restrictions	<u>50,000</u>
Change in unrestricted net assets	415,205
TEMPORARILY RESTRICTED NET ASSETS	
Net assets released from restrictions	<u>(50,000)</u>
Change in net assets	365,205
Net assets - beginning of year	<u>855,785</u>
Net assets - end of year	<u><u>\$ 1,220,990</u></u>

See accompanying notes.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended April 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 743,698	\$ 133,216	\$ 122,868	\$ 999,782
Payroll taxes	57,515	10,337	9,546	77,398
Benefits	33,864	7,046	8,998	49,908
Advertising and promotion	5,005	-	16,120	21,125
Food and beverage	47,972	54	1,777	49,803
Depreciation	15,918	936	1,873	18,727
Dog food and supplies	179,124	-	-	179,124
Information technology	8,138	5,665	6,490	20,293
Insurance	16,126	1,209	1,118	18,453
Facilities and maintenance	14,589	67	41	14,697
Supplies	-	1,615	237	1,852
Office expense	26,047	3,637	3,899	33,583
Professional fees	66,786	41,968	12,885	121,639
Rent	4,166	745	1,595	6,506
Travel	94,899	-	-	94,899
Utilities	6,499	382	765	7,646
Veterinarian care	71,736	-	-	71,736
Direct mail activities	276,898	1,137	150,504	428,539
Cost of goods sold - store	7,674	-	-	7,674
Interest expense	25,335	1,490	2,981	29,806
Total expenses	<u>\$ 1,701,989</u>	<u>\$ 209,504</u>	<u>\$ 341,697</u>	<u>\$ 2,253,190</u>

See accompanying notes.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
STATEMENT OF CASH FLOWS
Year ended April 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 365,205
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	18,727
Agency endowment loss retained in agency endowment	22,137
(Increase) decrease in assets	
Accounts receivable	(32,003)
Promises to give	50,000
Prepaid expenses	26,101
Increase (decrease) in liabilities	
Accounts payable	(85,783)
Accrued payroll	31,351
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Net cash from operating activities	395,735
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(991,456)
Transfer to agency endowment	(529,946)
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Net cash from investing activities	(1,521,402)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	780,000
Principal payments on long-term debt	(25,991)
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Net cash from financing activities	754,009
Net change in cash	(371,658)
Cash - beginning of year	800,775
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Cash - end of year	\$ 429,117
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SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ 29,806

See accompanying notes.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

Guardian Angels Medical Service Dogs, Inc. (GAMSD) 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, and pursuing increased public awareness and education regarding current disability laws and contributing to new/enhanced laws regarding service dogs. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

GAMSD reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by GAMSD in perpetuity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

GAMSD considered accounts receivable to be fully collectible. Accordingly, no allowance has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Purchases of property and equipment are recorded at cost. Donations of property equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

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

Donated Materials, Facilities, and Services

Donated materials and facilities are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Many individuals volunteer their time and perform a variety of tasks including exercise and socialization of service dogs and assistance in the office, GAMSD events, and other activities. GAMSD receives more than 44,636 volunteer hours annually that are not recorded in the statements of activities because they do not meet the criteria for recognition.

Expense Allocation

The costs of providing the 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 program services and supporting activities benefited.

The following program services and supporting activities are included in the accompanying financial statements:

Pairing – 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 – Conducts direct mail activities that educate the public and provide support to veterans receiving services from the organization.

Education – Educates public and donors regarding service dogs and laws regarding service animals.

Income Tax Status

GAMSD is an exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, GAMSD qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the year ended April 30, 2018 were \$21,125.

Date of Management’s Review

Management has evaluated subsequent events through November 13, 2018, the date which the financial statements were available to be issued.

NOTE 2 – NOTES PAYABLE

Notes payable at April 30, 2018 consisted of the following:

Note payable to PNC Bank that requires monthly payments of principle and interest of \$3,909 and bears interest at 5.37%. The note matures June 28, 2022 and requires all remaining principal and interest due at maturity. The note is secured by property.	\$ 462,032
Note payable to PNC Bank that requires monthly payments of principle and interest of \$2,387 and bears interest at 5.02%. The note matures September 22, 2022 and requires all remaining principal and interest due at maturity. The note is secured by property.	<u>291,977</u>
Long-term debt	754,009
Less current portion of long-term debt	<u>(36,958)</u>
Long term debt - net of current portion	<u><u>\$ 717,051</u></u>

Future minimum payments for the years ending April 30 are as follows:

2019	\$ 36,958
2020	38,940
2021	41,028
2022	43,228
2023	<u>593,855</u>
Future minimum payments	<u><u>\$ 754,009</u></u>

Interest expense for the year ending April 30, 2018 was \$29,806.

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

GAMSD maintains cash balances at several financial institutions located in Florida and Pennsylvania. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At April 30, 2018, GAMSD's uninsured cash balances total approximately \$150,000.

NOTE 4 – DONATED SERVICES

Donated architectural services for the year ended April 30, 2018 of \$17,600 were for management and general. Donated golf cart for the year ended April 30, 2018 of \$2,500 was capitalized in equipment. Donated catering services for the year ended April 30, 2018 of \$318 was for fundraising.

NOTE 5 – AGENCY ENDOWMENT

GAMSD established a designated agency endowment fund at The Community Foundation for Ocala Marion County, Inc. (CFOMC). GAMSD recognizes the fair value of contributions as support when received and recognizes transfers to the agency endowment as decreases in cash and increases an asset called beneficial interest in assets held by CFOMC when the funds are transferred to CFOMC. The fund grows through additional contributions and investment income.

CFOMC acknowledges that by virtue of the governing instrument of CFOMC, CFOMC has the authority to modify any restriction or condition on the distribution of assets from the fund if, in the reasonable judgment of CFOMC, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by CFOMC. CFOMC maintains legal ownership of the fund.

At April 30, 2018, GAMSD has designated \$507,809 of unrestricted net assets for the agency fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. Composition of and changes in board designated nets assets were as follows:

Beneficial interest in assets held by CFOMC - beginning of year	\$ -
Contributions	529,946
Realized and unrealized loss	(22,997)
Interest and dividends	2,169
Fees	(1,309)
	(1,309)
Beneficial interest in assets held by CFOMC - end of year	<u>\$ 507,809</u>

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at April 30, 2018 is 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)
Beneficial interest in net assets held by CFOMC	\$ 507,809	\$ -	\$ -	\$ 507,809

GAMSD's beneficial interest in assets held by CFOMC represents an agreement between GAMSD and CFOMC in which GAMSD transfers assets to CFOMC in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportion share of the underlying assets as reported to GAMSD by CFMOC. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs related to the beneficial interest in assets held by CFOMC:

Beginning balance	\$ -
Transfer	529,946
Change in value of beneficial interest included in change in net assets	(22,137)
Ending balance	\$ 507,809

NOTE 7 – JOINT COSTS

GAMSD conduct direct mail activities that include programmatic information with a request for contributions. The costs of direct mailing were allocated as follows:

Program services	\$ 276,898
Management and General	1,137
Fundraising	150,504
Direct mail activities	\$ 428,539

GUARDIAN ANGELS MEDICAL SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2018

NOTE 8 – OPERATING LEASES

GAMSD rented office and training space at a monthly rate of \$2,800 under a lease that expired in June 30, 2017 when they purchased the property they were renting. Lease expense for the year ending April 30, 2018 was \$5,600.

NOTE 9 – RETIREMENT PLAN

GAMSD sponsors a defined contribution 401(k) plan covering all employees who meet the eligibility requirements. Employer contributions to the plan were \$2,311 for the year ended April 20, 2018.