

PAWS ASSISTANCE DOGS, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

PAWS ASSISTANCE DOGS, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

2375 TAMiami TRAIL NORTH, SUITE 110
NAPLES, FLORIDA 34103

SHIELDON W. STARMAN, C.P.A.
RONALD W. GUSTASON, C.P.A.
THOMAS E. BOERIO, C.P.A.
SHARON A. BELCHER, C.P.A.
SCOT A. SHEPARD, C.P.A.
SEAN M. NOLAN, C.P.A.
KIM (QIONG) CHEN, C.P.A.
LAURA L. GELMAN
THOMAS J. GANO, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

OFFICES:
NAPLES 262-1040
MARCO ISLAND 394-7502

INDEPENDENT AUDITOR'S REPORT

Board of Directors
PAWS Assistance Dogs, Inc.
Naples, Florida

We have audited the accompanying financial statements of PAWS Assistance Dogs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

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 PAWS Assistance Dogs, Inc., as of December 31, 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.

Rogers Wood Hill Starmar & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 5, 2018

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$ 942,007
Pledges receivable - MFC - Note 3	119,500
Prepaid expenses	42,821
Investments - Note 2	1,850
Property and equipment, net - Note 5	<u>11,913</u>
Total	<u>\$ 1,118,091</u>

LIABILITIES AND NET ASSETS

Liabilities	<u>\$ -</u>
Net assets:	
Temporarily restricted - Land and building fund - Note 4	306,300
Unrestricted	<u>811,791</u>
Total net assets	<u>1,118,091</u>
Total liabilities and net assets	<u>\$ 1,118,091</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Special events	\$ 721,488	\$ -	\$ -	\$ 721,488
Individual and corporate contributions	402,685	322,190	-	724,875
Interest income	663	-	-	663
Other income	108	-	-	108
Total revenues and support	<u>1,124,944</u>	<u>322,190</u>	<u>-</u>	<u>1,447,134</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>18,890</u>	<u>(18,890)</u>	<u>-</u>	<u>-</u>
Total revenues, support and net assets released from restrictions	<u>1,143,834</u>	<u>303,300</u>	<u>-</u>	<u>1,447,134</u>
OPERATING EXPENSES:				
Program services	402,372	-	-	402,372
Administrative and general	95,500	-	-	95,500
Fundraising	382,707	-	-	382,707
Total expenses	<u>880,579</u>	<u>-</u>	<u>-</u>	<u>880,579</u>
INCREASE IN NET ASSETS	<u>263,255</u>	<u>303,300</u>	<u>-</u>	<u>566,555</u>
NON-OPERATING ACTIVITIES:				
Loss on investments - Note 6	46	-	-	46
NON-OPERATING DECREASE IN NET ASSETS	<u>46</u>	<u>-</u>	<u>-</u>	<u>46</u>
CHANGE IN NET ASSETS	<u>263,209</u>	<u>303,300</u>	<u>-</u>	<u>566,509</u>
NET ASSETS - Beginning of year	<u>548,582</u>	<u>3,000</u>	<u>-</u>	<u>551,582</u>
NET ASSETS - End of year	<u>\$ 811,791</u>	<u>\$ 306,300</u>	<u>\$ -</u>	<u>\$ 1,118,091</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising and promotion	\$ 201	\$ -	\$ 201	\$ 402
Automobile/van expenses	2,770	-	-	2,770
CMGA 2017 expenses	-	-	208,378	208,378
Computer and internet	3,500	3,502	3,500	10,502
Depreciation	5,709	215	216	6,140
Dog grooming	4,320	-	-	4,320
Dues and registration fees	300	100	-	400
Insurance	6,146	5,366	5,577	17,089
Major funding campaign expenses	-	-	15,890	15,890
Merchant and bank fees	239	-	240	479
Miscellaneous	2,060	-	-	2,060
Miscellaneous fundraising	-	-	2,458	2,458
Office supplies	4,609	4,610	4,609	13,828
Other expenses	1,219	280	279	1,778
Payroll	122,090	48,515	68,484	239,089
Payroll processing fees	911	362	511	1,784
Payroll taxes	8,855	3,519	4,967	17,341
Postage	3,243	569	569	4,381
Professional fees	13,206	13,207	-	26,413
Puppy food and supplies	27,780	-	-	27,780
Puppy purchases	24,440	-	-	24,440
Rent	37,954	9,488	-	47,442
Repairs and maintenance	7,455	2,001	1,861	11,317
Repairs and maintenance - general	144	144	144	432
Service dog placement expenses	14,507	42	500	15,049
Staff meetings	407	407	408	1,222
Staffing - individual contractors	89,287	-	-	89,287
Third on Canvas expenses	-	-	60,915	60,915
Uniforms	781	781	-	1,562
Utilities	9,571	2,392	-	11,963
Veterinary services	7,668	-	-	7,668
Website design/community support	3,000	-	3,000	6,000
Total	<u>\$ 402,372</u>	<u>\$ 95,500</u>	<u>\$ 382,707</u>	<u>\$ 880,579</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from contributions	\$ 620,375
Special event income received	721,488
Cash paid to suppliers and employees	(917,260)
Interest earned	663
Other income received	108
Net cash provided by operating activities	<u>\$ 425,374</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	13,525
Purchase of investments	(15,370)
Purchase of property and equipment	(3,912)
Net cash used by investing activities	<u>\$ (5,757)</u>

NET INCREASE IN CASH 419,617

CASH - Beginning of year 522,390

CASH - End of year \$ 942,007

RECONCILIATION OF INCREASE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Increase in net assets	\$ 566,509
Depreciation	6,140
Realized losses on sale of investments	38
Unrealized losses on investments	8
Changes in assets and liabilities:	
Pledges receivable, net	(104,500)
Prepaid expenses	(42,821)
Net cash provided by operating activities	<u><u>\$ 425,374</u></u>

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

PAWS Assistance Dogs, Inc. (the "Organization") was organized in the state of Florida in 2012 as a not-for-profit corporation to promote independence for combat wounded veterans and others with life-changing disabilities through partnerships with skilled assistance dogs. The Organization provides education and community outreach in support of the mission through therapy and ambassador programs. The Organization is a respected and sustainable organization that creates meaningful impacts for service dog recipients while making lasting contributions in support of the community and those the organization serves.

The Organization is supported primarily through donor contributions and special fundraising events.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of Presentation

The Organization reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted - resources over which the board of directors had discretionary control.

Temporarily restricted - those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or a passage of time.

Permanently restricted - those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The Organization held no permanently restricted net assets at December 31, 2017.

Financial Statements

The financial statements and notes are a representation of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting defined above and have been consistently applied in the preparation of the financial statements.

Contributions and Promises to Give

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year. 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.

Allowance for Doubtful Accounts

The Organization uses the allowance method to determine uncollectible unconditional promises or pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Services

A substantial number of volunteers have donated time to the Organization's annual fundraising events; however, these donated services are not recognized in the financial statements because the criteria for recognition of such volunteer efforts under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, have not been satisfied.

Cash and Cash Equivalents

The Organization considers as cash and cash equivalents all highly liquid investments with an initial maturity of three months or less.

Investments

Investments are carried at fair value based on quoted market prices.

Property and Equipment

The Organization capitalizes all expenditures for property, equipment and leasehold improvements and uses the accelerated method of depreciation calculated over the estimated useful lives of the assets. Purchased property and equipment are stated at historical cost or at fair market value at the time of donation.

Income Taxes

The Organization is a qualified tax exempt organization under Code Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes, except on net income derived from unrelated business activities. The organization has no revenues derived from unrelated business activities; accordingly, no provision for income taxes has been made. The Organization follows the income tax standard for uncertain tax positions and, as a result, has evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2017.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing program, management, fundraising, and thrift store 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.

NOTE 2 - INVESTMENTS

Investments, at fair value, for the year ended December 31, 2017, consists of the following:

	<u>Cost</u>	<u>Fair Market Value</u>
Investment Account		
Equity securities	\$ 1,850	\$ 1,850
Total	<u>\$ 1,850</u>	<u>\$ 1,850</u>

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017

NOTE 3 - PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of unconditional promises to give received as a result of the major funding campaign and are due as follows:

<u>Year ending December 31</u>	
2018	\$ 54,700
2019	41,200
2020	<u>23,600</u>
	119,500
Less: unamortized discount	-
Total	<u><u>\$ 119,500</u></u>

Management believes all of the pledges receivable are fully collectible. Accordingly, no allowance for uncollectible pledges receivable have been recorded.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the year ended December 31, 2017, consists of the following:

Land and building fund	\$ 306,300
Total	<u><u>\$ 306,300</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment for the year ended December 31, 2017, consists of the following:

Furniture and equipment	\$ 6,287
Vehicles	<u>24,707</u>
	30,994
Less accumulated depreciation	<u>(19,081)</u>
Total	<u><u>\$ 11,913</u></u>

Depreciation expense for the year ended December 31, 2017 was \$6,140.

NOTE 6 - INVESTMENT LOSS

Investment loss for the year ended December 31, 2017, consists of the following:

Net realized loss	\$ 38
Net unrealized loss	<u>8</u>
Total	<u><u>\$ 46</u></u>

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017

NOTE 7 - FAIR VALUE MEASUREMENTS

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2017:

	<u>Fair Value</u>	<u>Level 1</u>
Equity securities	<u>\$ 1,850</u>	<u>\$ 1,850</u>

NOTE 8 - SPECIAL EVENTS, NET

The Organization conducts special events each year. Special event revenues and expenses consisted of the following for the year ended December 31, 2017:

	<u>CMGA</u>	<u>Third on Canvas</u>	<u>Total</u>
Revenue	\$ 651,250	\$ 70,238	\$ 721,488
Less: Expenses	(208,378)	(60,915)	(269,293)
Special event income, net	<u>\$ 442,872</u>	<u>\$ 9,323</u>	<u>\$ 452,195</u>

NOTE 9 - LEASE OBLIGATIONS

In April 2014, the Organization entered into a two year lease for its office in Naples. The lease was extended for an additional four year period ending March 2020. Rent for the year ended December 31, 2017 was \$47,442.

Future minimum lease payments required under office lease are as follows:

<u>Year</u>	<u>Office Lease</u>
2018	\$ 47,442
2019	47,442
2020	11,861
	<u>\$ 106,745</u>

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2017

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits of \$250,000. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 5, 2018, which is the date the financial statements were available to be issued.