

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 34,802	\$ 50,195
Grants receivable	100,000	-
Other receivables	23,639	-
Prepaid expenses	<u>3,412</u>	<u>6,639</u>
Total current assets	161,853	56,834
Grant receivable, net of current portion	100,000	-
Property and equipment, net	<u>763,460</u>	<u>773,893</u>
Total assets	<u><u>\$ 1,025,313</u></u>	<u><u>\$ 830,727</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 5,837	\$ 8,074
Accrued expenses	6,377	-
Deferred revenue	20,900	-
Current portion of long-term debt	<u>3,734</u>	<u>3,608</u>
Total current liabilities	36,848	11,682
Long-term debt, less current portion	<u>9,869</u>	<u>13,293</u>
Total liabilities	46,717	24,975
Net assets		
Without donor restrictions	788,597	805,752
With donor restrictions	<u>189,999</u>	<u>-</u>
Total net assets	<u>978,596</u>	<u>805,752</u>
Total liabilities and net assets	<u><u>\$ 1,025,313</u></u>	<u><u>\$ 830,727</u></u>

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

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants:			
Individuals	\$ 375,434	\$ -	\$ 375,434
Foundations	237,967	-	237,967
Businesses	205,311	189,999	395,310
Service organizations	18,762	-	18,762
Special events	122,570	-	122,570
Interest income	441	-	441
Other	10,766	-	10,766
	971,251	189,999	1,161,250
Net assets released from restrictions	-	-	-
Total revenues	971,251	189,999	1,161,250
Expenses			
Program services	825,552	-	825,552
Management and general	42,131	-	42,131
Fundraising	120,723	-	120,723
Total expenses	988,406	-	988,406
Change in net assets	(17,155)	189,999	172,844
Net assets, beginning of year	805,752	-	805,752
Net assets, end of year	\$ 788,597	\$ 189,999	\$ 978,596

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

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants:			
Individuals	\$ 211,817	\$ -	\$ 211,817
Foundations	264,029	-	264,029
Businesses	167,623	-	167,623
Service organizations	31,098	-	31,098
Special events	107,904	-	107,904
Interest income	349	-	349
Other	9,333	-	9,333
	792,153	-	792,153
Net assets released from restrictions	6,860	(6,860)	-
Total revenues	799,013	(6,860)	792,153
Expenses			
Program services	789,660	-	789,660
Management and general	36,723	-	36,723
Fundraising	124,745	-	124,745
Total expenses	951,128	-	951,128
Change in net assets	(152,115)	(6,860)	(158,975)
Net assets, beginning of year	957,867	6,860	964,727
Net assets, end of year			
As restated	\$ 805,752	\$ -	\$ 805,752

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

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 558,621	\$ 36,862	\$ 96,682	\$ 692,165
Professional services	53,655	475	10,114	64,244
Travel	43,490	(4)	-	43,486
Depreciation	39,903	-	-	39,903
Insurance	23,737	-	-	23,737
Veterinarian	10,117	-	-	10,117
Dog supplies	8,672	-	-	8,672
Utilities	13,775	1,035	-	14,810
Promotional	4,436	-	4,411	8,847
Accounting fees	12,056	-	-	12,056
Supplies for events	9,177	-	6,183	15,360
Other	3,956	832	-	4,788
Telephone	9,583	174	-	9,757
Repairs and maintenance	15,459	1,604	-	17,063
Payroll processing fees	5,737	570	1,029	7,336
Professional development	3,224	-	-	3,224
Office supplies	2,809	360	-	3,169
Printing	3,775	-	77	3,852
Bank and credit card fees	1,234	120	2,149	3,503
Postage	1,056	-	-	1,056
Interest expense	384	103	-	487
Website maintenance	500	-	-	500
Uniforms	196	-	78	274
Total expenses	<u>\$ 825,552</u>	<u>\$ 42,131</u>	<u>\$ 120,723</u>	<u>\$ 988,406</u>

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TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 534,581	\$ 33,629	\$ 103,105	\$ 671,315
Professional services	44,250	675	9,819	54,744
Travel	39,721	215	-	39,936
Depreciation	38,888	-	-	38,888
Insurance	17,848	-	-	17,848
Veterinarian	14,526	-	-	14,526
Dog supplies	14,036	-	-	14,036
Utilities	13,139	-	-	13,139
Promotional	6,644	-	6,363	13,007
Accounting fees	12,652	-	-	12,652
Supplies for events	8,090	310	3,121	11,521
Other	10,143	436	112	10,691
Telephone	8,605	-	-	8,605
Repairs and maintenance	6,516	699	16	7,231
Payroll processing fees	5,203	566	1,144	6,913
Professional development	6,556	35	-	6,591
Office supplies	3,326	-	-	3,326
Printing	2,636	-	-	2,636
Bank and credit card fees	826	158	1,065	2,049
Postage	815	-	-	815
Interest expense	457	-	-	457
Website maintenance	143	-	-	143
Uniforms	59	-	-	59
Total expenses	<u>\$ 789,660</u>	<u>\$ 36,723</u>	<u>\$ 124,745</u>	<u>\$ 951,128</u>

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

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ 172,844	\$ (158,975)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	39,903	38,888
Change in operating assets and liabilities -		
Grants receivable	(200,000)	-
Other receivables	(23,639)	-
Prepaid expenses	3,227	(6,639)
Accounts payable	(2,237)	2,870
Accrued expenses	6,377	-
Deferred revenue	20,900	-
Net cash flows from operating activities	<u>17,375</u>	<u>(123,856)</u>
Investing activities		
Purchases of property and equipment	<u>(29,470)</u>	<u>(86,764)</u>
Net cash flows from investing activities	<u>(29,470)</u>	<u>(86,764)</u>
Financing activities		
Proceeds from long-term debt	-	18,940
Payments on long-term debt	<u>(3,298)</u>	<u>(3,886)</u>
Net cash flows from financing activities	<u>(3,298)</u>	<u>15,054</u>
Net change in cash and cash equivalents	(15,393)	(195,566)
Cash and cash equivalents - beginning of year	<u>50,195</u>	<u>245,761</u>
Cash and cash equivalents - end of year	<u><u>\$ 34,802</u></u>	<u><u>\$ 50,195</u></u>
Supplemental cash flow information:		
Interest paid	<u><u>\$ 487</u></u>	<u><u>\$ 457</u></u>

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

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Texas Hearing and Service Dogs, Inc. dba Service Dogs, Inc. (the Organization) is a non-profit, tax-exempt organization which brings greater independence to people living with disabilities through partnership with a working dog. The Organization accomplishes its mission by providing dogs and training free of charge to recipients.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Grants Receivable

Grants receivable are promises to give due within one year. Accounts determined to be uncollectible are charged against an allowance for uncollectible accounts. At December 31, 2019 and 2018, the Organization considered all receivables to be fully collectible, and therefore, an uncollectible account is not considered necessary.

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - continued**

Revenue Recognition

The Organization recognizes contributions as revenue when received or unconditionally promised. Contributions are measured at the fair value of the assets or services received or promised. Revenues from program service fees and special events are recognized when earned. Revenues are classified as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires in the same period received, the contribution is recognized as unrestricted support.

Contributed goods and services are reported as support. Contributed goods are recorded as noncash contributions at an estimated fair value based on the price provided by the donor. Contributed services are recorded as contributions if the services, a) create or enhance non-financial assets, b) require specialized skills, c) are provided by individuals possessing those skills, and d) would typically need to be purchased if not provided by donation. The value of the noncash contributions is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be a cash equivalent.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value if the fair market value exceeds \$500. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes all purchased depreciable assets with a cost equal to or greater than \$500 with a useful life of more than one year. Property and equipment are carried at cost or fair market value at the time of donation less accumulated depreciation. Maintenance and repairs which do not improve or extend the useful lives of the fixed assets are charged to expense.

The Organization uses the straight-line method of computing depreciation over the estimated useful lives of the various assets. Major categories of depreciable assets and their estimated useful lives are:

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SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - continued**

Property and Equipment - continued

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building	39 years
Leasehold improvements	10 - 15 years
Furniture and equipment	3 - 10 years
Vehicles	5 years
Computer software and hardware	3 years

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses are allocated by time and effort.

Income Taxes

The Internal Revenue Service has classified the Organization as other than a private foundation, which is exempt from federal income taxes on its related purpose income under Section 501(c)(3) of the United States Internal Revenue Code. Consequently, no federal income taxes have been provided for in these financial statements.

The Organization's federal returns for the years ended December 31, 2015, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

The Organization has adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2019 and 2018, the Organization has not recognized liabilities for uncertain tax positions or associated interest and penalties.

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - continued**

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Subsequent Events

Management of the Organization has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following as of December 31:

	2019	2018
Non-interest bearing checking accounts & petty cash	\$ 34,802	\$ 50,195

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NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Land	\$ 145,792	\$ 145,792
Building and building improvements	868,231	841,665
Furniture and equipment	71,338	68,434
Automobiles	85,096	105,872
Computer hardware and software	20,920	20,920
Total property and equipment	1,191,377	1,182,683
Less: accumulated depreciation	(427,917)	(408,790)
Net book value of property and equipment	<u>\$ 763,460</u>	<u>\$ 773,893</u>

For the years ended December 31, 2019 and 2018, depreciation expense totaled \$39,903 and \$38,888, respectively.

NOTE D - LONG - TERM DEBT AND LINE OF CREDIT

On May 24, 2017, the Organization entered into a promissory note payable for \$18,940 with a financial institution to purchase a vehicle. The note has an interest rate of 3.45% and is payable in monthly installments of \$344 until maturity on June 5, 2022. The future maturities, under this note, are as follows:

<u>Years ending December 31,</u>	
2019	3,734
2020	3,865
2021	4,001
2022	2,003
	<u>\$ 13,603</u>

On October 23, 2018, the Organization established a line of credit which provides up to \$150,000 until maturity on October 23, 2019. Interest accrues on outstanding amounts based on an index determined by the Wall Street Journal prime rate. The line is secured by the land and improvements of the Organization. No amounts had been drawn on the line.

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE E - NET ASSETS WITH RESTRICTIONS

Temporarily restricted net assets are available for the following purposes for the years after December 31:

	2019	2018
Construction of new kennel	\$ 189,999	\$ -

NOTE F - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at two financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2019 and 2018, these accounts were fully insured by the FDIC.

NOTE G - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 34,802
Grants receivable	200,000
Other receivables	23,639
Total financial assets	<u>258,441</u>
Less amounts not available to be used within one year:	
Revenue deferred to 2020	10,000
Net assets with donor restrictions (includes non-current portion of grants receivable)	189,999
Total amounts not available to be used within one year:	<u>199,999</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 58,442</u>

TEXAS HEARING AND SERVICE DOGS, INC.
SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE G - AVAILABILITY AND LIQUIDITY - continued

The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. In addition, the Organization has a line of credit which provides up to \$150,000 and is available to meet short-term funding requirements.

NOTE H - RESTATEMENT

The Organization incorrectly recorded a donation by check received in 2018 as 2019 revenue. The Organization's cash, revenue, and net asset accounts for the year ended December 31, 2018, have been restated to properly reflect the donation in 2018.

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Adjusted Balance</u>
Cash	\$ 30,195	\$ 20,000	\$ 50,195
Contributions and grants: Foundations	244,029	20,000	264,029
Net assets, end of the year	785,752	20,000	805,752
Change in net assets	(178,975)	20,000	(158,975)