NEW HORIZONS SERVICE DOGS, INC.

Financial Statements

Years Ended December 31, 2016 and 2015
with Independent Auditor's Report

Grennan™ Fender

Certified Public Accountants & Advisors

NEW HORIZONS SERVICE DOGS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Horizons Service Dogs, Inc.

We have audited the accompanying financial statements of New Horizons Service Dogs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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 audits 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 New Horizons Service Dogs, Inc. as of December 31, 2016 and 2015, 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.

Grennan Fender McCrady Hess & Poparad, LLP

Grennan Fender McCrady Hess & Poparad LLP
Orlando, Florida
March 20, 2017

NEW HORIZONS SERVICE DOGS, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 340,832	$ 358,796
Prepaid insurance	9,007	8,545
Total current assets	349,839	367,341
Property and equipment, net	132,560	150,511
Total assets	$ 482,399	$ 517,852
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 18,248	$ 15,152
Total liabilities	18,248	15,152
Net assets:		
Unrestricted	464,151	502,700
Total net assets	464,151	502,700
Total liabilities and net assets	$ 482,399	$ 517,852

The accompanying notes are an integral part of these financial statements

NEW HORIZONS SERVICE DOGS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the years ended December 31,	
	2016 Unrestricted	2015 Unrestricted
Public Support and Revenue		
Contributions	$ 302,533	$ 753,554
Contributed goods and services	40,976	53,369
Special events	21,787	-
Interest income	259	405
Total public support and revenue	365,555	807,328
Expenses		
Program services:		
Breeding & puppy raising	250,827	263,910
Training & follow up	107,107	106,334
Public information	3,206	8,274
Total program services	361,140	378,518
Supporting activities:		
General administration	29,989	25,917
Fund development	12,975	24,072
Total supporting activities	42,964	49,989
Total expenses	404,104	428,507
Change in net assets	(38,549)	378,821
Net assets at beginning of year	502,700	123,879
Net assets at end of year	$ 464,151	$ 502,700

The accompanying notes are an integral part of these financial statements

NEW HORIZONS SERVICE DOGS, INC.

STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2016	2015
Cash Flows From Operating Activities		
Change in net assets	$ (38,549)	$ 378,821
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization	23,920	28,538
Increase (decrease) in operating assets:		
Contributions receivable	-	6,548
Prepaid insurance	(462)	2,426
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,096	(171,780)
Net cash (used for) provided by operating activities	(11,995)	244,553
Cash Flows From Investing Activities		
Purchase of property and equipment	(5,969)	(465)
Net cash used for investing activities	(5,969)	(465)
Net (decrease) increase in cash and cash equivalents	(17,964)	244,088
Cash and cash equivalents, beginning of year	358,796	114,708
Cash and cash equivalents, end of year	$ 340,832	$ 358,796

The accompanying notes are an integral part of these financial statements

NEW HORIZONS SERVICE DOGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Activities		
	Breeding & Puppy raising	Training & Follow up	Public Information	Subtotal	General Administration	Fund Development	Total
Advanced training	$ 50,033	$ 49,753	$ -	$ 99,786	$ 4,872	$ -	$ 104,658
Amortization expense	356	-	-	356	-	-	356
Auto expense	5,837	5,837	-	11,674	754	-	12,428
Contract labor	1,446	302	-	1,748	152	-	1,900
Depreciation expense	5,892	14,138	1,178	21,208	2,356	-	23,564
Dues & subscriptions	1,629	584	-	2,213	566	-	2,779
Fundraising expense	-	-	2,028	2,028	-	6,085	8,113
Insurance	7,994	7,594	-	15,588	1,750	-	17,338
Interest	-	-	-	-	70	-	70
Legal & professional	216	108	-	324	9,578	-	9,902
Licenses and permits	26	77	-	103	26	-	129
Meals & entertainment	42	2,177	-	2,219	7	269	2,495
Miscellaneous expense	3,342	10,141	-	13,483	1,515	400	15,398
Printing, publications and postage	2,284	377	-	2,661	123	2,784	5,568
Repairs & maintenance	2,234	3,042	-	5,276	678	-	5,954
Salaries	56,036	635	-	56,671	3,993	2,757	63,421
Supplies, animal	66,057	71	-	66,128	553	-	66,681
Supplies, business	1,668	1,107	-	2,775	437	460	3,672
Travel & meetings	3,476	4,564	-	8,040	586	220	8,846
Utilities	3,919	3,921	-	7,840	1,973	-	9,813
Vet expense	38,340	2,679	-	41,019	-	-	41,019
	$ 250,827	$ 107,107	$ 3,206	$ 361,140	$ 29,989	$ 12,975	$ 404,104

The accompanying notes are an integral part of the financial statements

NEW HORIZONS SERVICE DOGS, INC

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				Supporting Activities		
	Breeding & Puppy raising	Training & Follow Up	Public Information	Subtotal	General Administration	Fund Development	Total
Advanced training	$ 60,105	$ 42,937	$ -	$ 103,042	$ 6,099	$ -	$ 109,141
Amortization expense	537	-	-	537	-	-	537
Auto expense	9,458	9,457	-	18,915	-	-	18,915
Depreciation expense	7,000	16,801	1,400	25,201	2,800	-	28,001
Dues & subscriptions	3,924	1,335	-	5,259	345	325	5,929
Fundraising expense	-	-	6,874	6,874	-	20,622	27,496
Insurance	8,939	6,283	-	15,222	1,476	-	16,698
Legal & professional	425	140	-	565	9,560	-	10,125
Licenses and permits	75	198	-	273	109	-	382
Meals & entertainment	348	2,082	-	2,430	-	-	2,430
Contract labor	911	-	-	911	-	-	911
Printing, publications and postage	2,189	417	-	2,606	101	2,097	4,804
Repairs & maintenance	1,936	2,020	-	3,956	558	-	4,514
Salaries	51,352	708	-	52,060	50		52,110
Supplies, animal	69,918	677	-	70,595	-	-	70,595
Supplies, business	959	733	-	1,692	430	-	2,122
Travel & meetings	1,932	1,415	-	3,347	480	28	3,855
Utilities	4,479	4,132	-	8,611	1,945	-	10,556
Vet expense	39,423	16,999	-	56,422	-	-	56,422
Miscellaneous expense	-	-	-	-	1,964	1,000	2,964
	$ 263,910	$ 106,334	$ 8,274	$ 378,518	$ 25,917	$ 24,072	$ 428,507

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNT POLICIES

Organization

New Horizons Service Dogs, Inc. (the "Organization") is a nonprofit, Florida corporation. The Organization was formed on April 17, 1995 to provide trained and certified service dogs to assist persons with disabilities, provide ongoing support to puppy raisers and raise public awareness regarding the needs of the disabled. The Organization's support comes primarily from donor contributions.

Puppies derived from breeder canines are either held for breeding, placed with puppy raisers or are sold. Use of each canine depends primarily on an evaluation of individual behavioral characteristics. Breeder canines and puppies are raised and cared for by volunteer families or individuals until the Organization requires the canine for breeding purposes or to begin training for service work. Once a canine has completed service training, it is eligible for placement. Upon placement, the canine and the disabled partner go through a training period together and become a team. Lifetime follow-up and support is provided for each team.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization's cash consists of demand deposits with multiple financial institutions, which are insured through the Federal Depository Insurance Corporation ("FDIC"). The FDIC provides insurance limits up to $250,000 per financial institution. The Organization had approximately $78,000 in excess of the FDIC insurance limits for the years ended December 31, 2016. The Organization has not historically incurred losses on such accounts.

Contributions Receivable

Legally enforceable contributions are recorded as receivables in the year the pledge is made. The Organization had no contributions receivable at December 31, 2016 and 2015.

Property and Equipment

Property and equipment are reported on the basis of cost and depreciated using the straight-line method over the estimated useful lives of the assets which range from four to thirty years. Donated property and equipment are recorded at fair value on the date of the contribution. Maintenance and repairs are expensed as incurred and major replacements and improvements, with a cost in excess of $500, are capitalized.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized and recorded as increases in net assets when realized or realizable and earned at their estimated fair values on the dates of donation. Contributed services are recognized as revenue if the services create or enhance non-financial data or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed goods are recorded at fair market value.

During 2016, contributed services that would have otherwise been purchased consisted of approximately $25,200 and $6,300 for dog food and veterinarian supplies and services, respectively. These services were allocated amongst the Organization's various programs and activities.

During 2015, contributed services that would have otherwise been purchased consisted of approximately $25,000 and $18,000 for dog food and veterinarian supplies and services, respectively. These services were allocated amongst the Organization's various programs and activities.

Contributed volunteer services and puppy raising costs received but not recorded in the financial statements during 2016 consist of the following:

- Community service hours - received for building repairs, animal & yard clean-up, and landscaping work were mandated by the judicial system and approximately 1,300 hours with an estimated fair value of approximately $13,000. The value of community service hours are not recorded in the financial statements because they are not considered voluntarily contributed services.

- Breeder and puppy raisers hours and their out of pocket raising costs - received for daily growth, obedience classes, socializing, grooming, and veterinarian care were estimated to be approximately 108,000 hours and $180,000. The value of these service hours and costs are not recorded in the financial statements because management is unable to adequately measure the fair market value of these services and costs due to the inexact nature of the benefits provided by these volunteers.

- Volunteer service hours to support the programs and the general operations of the Organization were approximately 1,450. The value of these service hours and costs are not recorded in the financial statements because management is unable to verify the actual fair market value of these services and costs.

Description of Net Assets

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. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization uses the following three classifications of net assets:

- Unrestricted Net Assets - net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

- Temporarily Restricted Net Assets - net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kind of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

- Permanently Restricted Net Assets - net assets resulting (a) from contributions and other inflow of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

As of December 31, 2016 and 2015 there were no permanently restricted net assets or temporarily restricted net assets.

Functional Allocation of Expenses

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

Income Taxes

The Organization is a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and related Florida Statutes. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's income tax returns for the tax years 2015, 2014 and 2013 are subject to examination by tax authorities, and may change upon examination.

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization measures its investments at fair value on a recurring basis. The inputs used to develop fair value measures are ranked to indicate the quality and reliability of the resulting fair value measures, as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured at fair value. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

3. PROPERTY AND EQUIPMENT

	2016	2015
Equipment	$ 27,832	$ 27,773
Software	4,990	4,990
Furniture & fixtures	7,775	7,595
Vehicle	151,127	147,082
Building & improvements	181,964	180,279
Land	20,000	20,000
	393,688	387,719
Less accumulated depreciation	(261,128)	(237,208)
	$ 132,560	$ 150,511

Depreciation expense amounted to approximately $24,000 and $29,000 for the years ended December 31, 2016 and 2015, respectively.

4. ACCRUED COMPENSATION

During 2006, the Board unanimously approved a motion to accrue $165,811 in value as compensation for its Executive Director for 12 years of uncompensated service at that time. During 2015, the Organization paid the accrued liability to a Trust for which the Executive Director is its beneficiary.

5. CONCENTRATIONS OF RISK

Income is primarily derived from charitable contributions it receives from the general public including individuals, businesses and grants.

6. RELATED PARTY TRANSACTIONS

During 2009, the Organization entered a non-employment contract agreement with its Executive Director for compensation in exchange for administration of the Organization's day to day operations at a rate of $40 per hour. During 2016 and 2015, the Organization did not pay the Executive Director fees related to the terms of the contract. The Executive Director volunteered an estimated 3,120 hours of un-compensated services to the Organization during 2016 and 2015. The value of the contract has not been recorded in the accompanying financial statements.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 20, 2017 the date the financial statements were available to be issued.