

NEW HORIZONS SERVICE DOGS, INC.

Financial Statements

*Years Ended December 31, 2014 and 2013
with Independent Auditors' Report*



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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, 2014 and 2013, 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 opinions.

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, 2014 and 2013, 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.

MAC CRADY HESS

Maitland, Florida
February 28, 2015

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NEW HORIZONS SERVICE DOGS, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 114,708	\$ 236,512
Contributions receivable	6,548	25,000
Prepaid insurance	10,971	7,428
Property and equipment, net	178,584	207,207
Total Assets	<u>\$ 310,811</u>	<u>\$ 476,147</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 21,121	\$ 14,939
Accrued compensation	165,811	165,811
Total Liabilities	<u>186,932</u>	<u>180,750</u>
Net assets:		
Unrestricted	123,879	270,397
Temporarily restricted		25,000
Total net assets	<u>123,879</u>	<u>295,397</u>
Total Liabilities and Net assets	<u>\$ 310,811</u>	<u>\$ 476,147</u>

The accompanying notes are an integral part of these financial statements

NEW HORIZONS SERVICE DOGS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 206,297		\$ 206,297
Contributed goods and services	46,857	-	46,857
Interest income	209	-	209
Total public support and revenue	<u>253,363</u>	<u>-</u>	<u>253,363</u>
Expenses			
Program services:			
Breeding & puppy raising	214,135	-	214,135
Training & follow up	118,196	25,000	143,196
Public information	12,351	-	12,351
Total program services	<u>344,682</u>	<u>25,000</u>	<u>369,682</u>
Supporting activities:			
General administration	30,929	-	30,929
Fund development	24,270	-	24,270
Total supporting activities	<u>55,199</u>	<u>-</u>	<u>55,199</u>
Total expenses	<u>399,881</u>	<u>25,000</u>	<u>424,881</u>
Change in net assets	(146,518)	(25,000)	(171,518)
Net assets at beginning of year	<u>270,397</u>	<u>25,000</u>	<u>295,397</u>
Net assets at end of year	<u>\$ 123,879</u>	<u>\$ -</u>	<u>\$ 123,879</u>

The accompanying notes are an integral part of these financial statements

NEW HORIZONS SERVICE DOGS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 320,474	\$ 25,000	\$ 345,474
Contributed goods and services	47,207	-	47,207
Interest income	1,090	-	1,090
Total public support and revenue	<u>368,771</u>	<u>25,000</u>	<u>393,771</u>
Expenses			
Program services:			
Breeding & puppy raising	178,375	-	178,375
Training & follow up	153,247	-	153,247
Public information	11,326	-	11,326
Total program services	<u>342,948</u>	<u>-</u>	<u>342,948</u>
Supporting activities:			
General administration	45,701	-	45,701
Fund development	17,397	-	17,397
Total supporting activities	<u>63,098</u>	<u>-</u>	<u>63,098</u>
Total expenses	<u>406,046</u>	<u>-</u>	<u>406,046</u>
Change in net assets	(37,275)	25,000	(12,275)
Net assets at beginning of year	<u>307,672</u>	<u>-</u>	<u>307,672</u>
Net assets at end of year	<u>\$ 270,397</u>	<u>\$ 25,000</u>	<u>\$ 295,397</u>

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,	
	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (171,518)	\$ (12,275)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	29,527	32,026
Loss on disposal of assets	1,695	621
Increase (decrease) in operating assets:		
Contributions receivable	18,452	(25,000)
Prepaid insurance	(3,543)	(2,876)
Increase in operating liabilities:		
Accounts payable and accrued expenses	6,182	2,343
Net cash used for operating activities	(119,205)	(5,161)
Cash Flows From Investing Activities		
Purchase of property and equipment	(2,599)	(26,035)
Net cash used for investing activities	(2,599)	(26,035)
Net decrease in cash and cash equivalents	(121,804)	(31,196)
Cash and cash equivalents, beginning of year	236,512	267,708
Cash and cash equivalents, end of year	\$ 114,708	\$ 236,512

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, 2014

	Program Services				Supporting Activities		Total
	Breeding & Puppy raising	Training & Follow up	Public Information	Subtotal	General Administration	Fund Development	
Advanced training	\$ 38,932	\$ 71,038	\$ -	\$ 109,970	\$ 623	\$ -	\$ 110,593
Amortization expense	516	-	-	516	-	-	516
Auto expense	8,037	8,037	-	16,074	-	-	16,074
Depreciation expense	7,252	17,407	1,451	26,110	2,901	-	29,011
Dues & subscriptions	1,802	1,409	-	3,211	180	10	3,401
Fundraising expense	-	-	4,120	4,120	-	12,360	16,480
Public awareness events	-	-	-	-	-	-	-
Insurance	8,477	4,238	-	12,715	1,412	-	14,127
Legal & professional	2,556	-	-	2,556	11,089	-	13,645
Licenses and permits	274	274	-	548	198	-	746
Meals & entertainment	24	2,437	-	2,461	90	-	2,551
Contract labor	-	2,873	1,044	3,917	138	-	4,055
Printing, publications and postage	-	3,991	834	4,825	33	2,037	6,895
Repairs & maintenance	3,357	3,796	-	7,153	821	-	7,974
Salaries	40,014	3,203	-	43,217	5,147	1,637	50,001
Supplies, animal	57,069	8,116	-	65,185	118	-	65,303
Supplies, business	1,257	1,062	-	2,319	588	-	2,907
Travel & meetings	-	298	826	1,124	-	-	1,124
Utilities	-	4,421	4,076	8,497	2,174	-	10,671
Vet expense	39,584	10,239	-	49,823	-	-	49,823
Miscellaneous expense	4,984	357	-	5,341	5,417	8,226	18,984
	<u>\$ 214,135</u>	<u>\$ 143,196</u>	<u>\$ 12,351</u>	<u>\$ 369,682</u>	<u>\$ 30,929</u>	<u>\$ 24,270</u>	<u>\$ 424,881</u>

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, 2013

	<u>Program Services</u>				<u>Supporting Activities</u>		<u>Total</u>
	<u>Breeding & Puppy raising</u>	<u>Training & Follow Up</u>	<u>Public Information</u>	<u>Subtotal</u>	<u>General Administration</u>	<u>Fund Development</u>	
Advanced training	\$ 40,702	\$ 57,729	-	\$ 98,431	\$ 833	\$ 1,475.00	\$ 100,739
Amortization expense	1,803	-	-	1,803	-	-	1,803
Auto expense	5,820	7,895	154	13,869	-	-	13,869
Depreciation expense	7,556	18,134	1,511	27,201	3,022	-	30,223
Dues & subscriptions	946	1,022	-	1,968	1,329	-	3,297
Fundraising expense	-	-	-	-	-	14,406	14,406
Public awareness events	-	-	4,802	4,802	-	-	4,802
Insurance	5,089	3,053	930	9,072	1,686	-	10,758
Legal & professional	1,955	2,327	-	4,282	10,634	-	14,916
Licenses and permits	163	326	-	489	370	-	859
Meals & entertainment	29	2,030	507	2,566	32	-	2,598
Contract labor	1,656	4,941	-	6,597	-	-	6,597
Printing, publications and postage	527	2,807	-	3,334	-	674.00	4,008
Repairs & maintenance	1,064	5,465	-	6,529	787	-	7,316
Salaries	22,590	18,994	2,214	43,798	16,079	-	59,877
Supplies, animal	43,642	14,096	-	57,738	-	842	58,580
Supplies, business	186	1,015	48	1,249	1,665	-	2,914
Travel & meetings	573	2,469	557	3,599	918	-	4,517
Utilities	1,635	3,882	-	5,517	3,844	-	9,361
Vet expense	42,054	6,623	-	48,677	-	-	48,677
Miscellaneous expense	385	439	603	1,427	4,502	-	5,929
	<u>\$ 178,375</u>	<u>\$ 153,247</u>	<u>\$ 11,326</u>	<u>\$ 342,948</u>	<u>\$ 45,701</u>	<u>\$ 17,397</u>	<u>\$ 406,046</u>

The accompanying notes are an integral part of the financial statements

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 maintains its cash accounts with multiple financial institutions. The Organization's cash accounts at these institutions, at times, may exceed the federally insured limit. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Contributions Receivable

Legally enforceable contributions are recorded as receivables in the year the pledge is made. The Organization had \$6,548 in contributions receivable at December 31, 2014.

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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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.

During 2014, contributed services that would have otherwise been purchased consisted of approximately \$11,500 for veterinary services. These services were allocated amongst the Organization's various programs and activities.

During 2013, contributed services that would have otherwise been purchased consisted of approximately \$12,600 for veterinary services. 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 2014 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 300 hours with an estimated fair value of approximately \$3,000. 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 143,500 hours and \$135,500, respectively. 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 1,600. 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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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 is 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, 2014 and 2013 there were no permanently restricted net assets. As of December 31, 2013 there were \$25,000 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 2013, 2012 and 2011 are subject to examination by tax authorities, and may change upon examination.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

2. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, cash equivalents, contributions receivable, prepaid insurance, other assets and accrued expenses reported in the statement of financial position approximate fair value due to the short-term nature of those instruments.

3. PROPERTY AND EQUIPMENT

	<u>2014</u>	<u>2013</u>
Equipment	\$ 27,773	\$ 32,751
Software	4,525	4,525
Furniture & fixtures	7,595	7,595
Vehicle	147,082	147,082
Building & improvements	180,279	180,279
Land	20,000	20,000
	<u>387,254</u>	<u>392,232</u>
Less accumulated depreciation	<u>(208,670)</u>	<u>(185,025)</u>
	<u>\$ 178,584</u>	<u>\$ 207,207</u>

Depreciation expense amounted to approximately \$29,500 and \$32,000 for the years ended December 31, 2014 and 2013, respectively.

4. ACCRUED COMPENSATION

During 2006, the Board unanimously approved a motion to transfer the Organization's land and building to the Executive Director as payment for over 12 years of otherwise uncompensated services. Subsequent to the approval, the Board noted the administrative complexity of properly transferring the property. Upon Board approval, management accrued compensation expense of \$165,811 equal to the fair value of the land, building and improvements as of December 31, 2006 and related employer payroll taxes.

As of the date of the audit report, no payments on the accrued compensation had been made and the Board of Directors had not concluded on a method to complete the transaction.

NEW HORIZONS SERVICE DOGS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 \$25 per hour. During 2014 and 2013, the Organization did not pay the Executive Director fees related to the terms of the contract. The Executive Director provided approximately 3,120 and 3,120 hours of un-compensated services to the Organization during 2014 and 2013, respectively.

7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 28, 2015 the date the financial statements were available to be issued.