

HEARING AND SERVICE DOGS OF MINNESOTA
dba CAN DO CANINES
(A Non-Profit Corporation)

Audited Financial Statements
Year ended December 31, 2013
(With comparative totals for 2012)

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Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
HEARING AND SERVICE DOGS OF MINNESOTA
dba CAN DO CANINES
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of **HEARING AND SERVICE DOGS OF MINNESOTA dba CAN DO CANINES** as of December 31, 2013 and 2012 and related statement of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statement referred to above, present fairly, in all material respects, the financial position of **HEARING AND SERVICE DOGS OF MINNESOTA dba CAN DO CANINES** as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Kneisl & Associates Ltd
July 16, 2014

HEARING AND SERVICE DOGS OF MINNESOTA
 dba - Can Do Canines
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 581,827	\$ 242,458
Pledges receivable	393,699	340,271
Prepays & inventory	12,661	17,114
Total current assets	<u>988,187</u>	<u>599,843</u>
Pledges receivable- long term	723,673	910,625
PROPERTY AND EQUIPMENT		
Vehicles & equipment	121,347	113,848
Land and building	3,450,452	3,450,452
Less accumulated depreciation	<u>(462,490)</u>	<u>(374,953)</u>
	<u>3,109,309</u>	<u>3,189,347</u>
TOTAL ASSETS	<u><u>4,821,169</u></u>	<u><u>4,699,815</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable - trade	18,550	17,704
Accrued interest	84,276	78,637
Accrued expenses	<u>48,600</u>	<u>40,922</u>
Total current liabilities	151,426	137,263
Long term debt - less current maturities	827,453	1,100,020
NET ASSETS		
Unrestricted net assets	2,724,918	2,211,636
Temporarily restricted	1,117,372	1,250,896
Total net assets	<u>3,842,290</u>	<u>3,462,532</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,821,169</u></u>	<u><u>\$ 4,699,815</u></u>

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

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2013 AND 2012

	2013			2012
	Unrestricted	<i>Temporarily restricted</i>	total	
PUBLIC SUPPORT AND REVENUE				
Public support				
Individual & corporate	\$ 155,442	\$ 605,560	\$ 761,002	1,836,566
Service clubs donations	153,652	-	153,652	128,133
Foundations grants	185,650	-	185,650	213,221
Federated fundraisers	47,934	-	47,934	40,773
Special events - net	275,748	-	275,748	127,738
In-kind contributions	50,711	-	50,711	106,457
Total public support	<u>869,137</u>	<u>605,560</u>	<u>1,474,697</u>	<u>2,452,888</u>
Investment income (loss)	(2,544)	-	(2,544)	(607)
Net assets released from restrictions	<u>739,084</u>	<u>(739,084)</u>	-	
Total support and revenue	1,605,677	(133,524)	1,472,153	2,452,281
EXPENSES				
Program expenses	935,728	-	935,728	940,319
Support services				
Management and general	63,160	-	63,160	57,296
Fundraising	93,507	-	93,507	69,893
Total support services	<u>156,667</u>	<u>-</u>	<u>156,667</u>	<u>127,189</u>
Total expenses	<u>1,092,395</u>	<u>-</u>	<u>1,092,395</u>	<u>1,067,508</u>
INCREASE IN NET ASSETS	513,282	(133,524)	379,758	1,384,773
NET ASSETS - BEGINNING	<u>2,211,636</u>	<u>1,250,896</u>	<u>3,462,532</u>	<u>2,077,759</u>
NET ASSETS - ENDING	<u>\$ 2,724,918</u>	<u>\$ 1,117,372</u>	<u>\$ 3,842,290</u>	<u>\$ 3,462,532</u>

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

HEARING AND SERVICE DOGS OF MINNESOTA
 dba - Can Do Canines
 STATEMENT OF CASH FLOWS
 DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 379,758	\$ 1,384,773
Adjustments to reconciled net assets		
Depreciation	87,537	88,658
Changes in assets & liabilities:		
(increase) decrease in grants receivable	133,524	(1,100,258)
(increase) decrease in prepaids	4,453	(1,068)
increase (decrease) in accounts payable	846	(351,510)
increase (decrease) in accruals	13,317	6,190
Net cash from operations	<u>619,435</u>	<u>26,785</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases & donations	(7,500)	(19,943)
Building purchase	<u>-</u>	<u>(106,949)</u>
Net cash used in investing activities	<u>(7,500)</u>	<u>(126,892)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt on building purchase	<u>(272,567)</u>	<u>(130,000)</u>
NET INCREASE (DECREASE) IN CASH	339,368	(230,107)
CASH - BEGINNING	<u>242,533</u>	<u>472,640</u>
CASH - ENDING	<u>\$ 581,901</u>	<u>\$ 242,533</u>

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

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2013 AND 2012

	Supporting Services			Total Supporting Services	Totals	
	Program Services	Admin	Fundraising		2013	2012
Salaries and wages	452,639	36,316	29,871	66,187	\$ 518,826	\$ 508,467
Payroll fringes	113,980	10,894	8,961	19,855	133,835	134,386
Total salaries and fringes	<u>566,619</u>	<u>47,210</u>	<u>38,832</u>	<u>86,042</u>	<u>652,661</u>	<u>642,853</u>
Dog acquisitions	9,500	-	-	-	9,500	18,165
Vet, trainers & interpreters	34,588	-	-	-	34,588	37,335
Dog supplies	30,016	-	-	-	30,016	25,888
Accounting & legal	4,445	470	470	940	5,385	4,300
Consultants	-	4,270	24,289	28,559	28,559	6,245
Internet and phone	8,023	450	450	900	8,923	8,832
Occupancy & interest	85,643	5,290	5,290	10,580	96,223	98,796
Administrative & general office	54,695	3,350	3,350	6,700	61,395	68,349
Printing & publications	30,186	-	13,506	13,506	43,692	36,816
Travel & vehicle costs	17,298	-	1,000	1,000	18,298	22,565
Education	5,734	700	700	1,400	7,134	4,328
Promotion	4,284	-	4,200	4,200	8,484	4,378
Total exps before depreciation	<u>851,031</u>	<u>61,740</u>	<u>92,087</u>	<u>153,827</u>	<u>1,004,858</u>	<u>978,850</u>
Depreciation	<u>84,697</u>	<u>1,420</u>	<u>1,420</u>	<u>2,840</u>	<u>87,537</u>	<u>88,658</u>
Total expenses	<u>\$ 935,728</u>	<u>63,160</u>	<u>93,507</u>	<u>156,667</u>	<u>\$ 1,092,395</u>	<u>\$ 1,067,508</u>

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

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PROGRAM SERVICES

The organization was incorporated in 1987 and is dedicated to enhancing the quality of life for people with disabilities by creating mutually beneficial partnerships with specially trained dogs. Initially the Organization worked with all shelter dogs, and provided services for deaf clients. In 1995, they expanded programs to serve people with physical disabilities and in 2006, increased the service area to include Wisconsin, North and South Dakota, Iowa, Missouri, and Illinois.

In recent years, they added new services, providing assistance dogs to children with autism, people with type-1 diabetes complicated by hypoglycemia unawareness and people with seizure disorders. At the end of 2009 they adopted a new name—Can Do Canines—to better reflect the increased services and expanded service area.

The programs have expanded to obtaining dogs from shelters, accepting donated puppies and dogs, breeding their own dogs and participating in an international breeding cooperative comprised of similar assistance dog organizations. Puppies continue to be raised by volunteer puppy raisers and now are also raised and trained in four prisons across Minnesota.

The dogs, professional training, interpreting, obedience instruction, medical care and other supplies are provided to qualified applicants at no charge.

In 2009, the organization acquired a four-acre property in New Hope Minnesota, began rehabilitation of the existing structure, created office, meeting and training space to accommodate more than 30 employees and added kennel facilities with a maximum capacity of 50 dogs. The fully accessible 20,000 square foot facility was occupied in 2010 and rehabilitation was completed in 2013. Contributions and pledges will combine to eliminate the contract of deed debt by 2017.

BASIS OF ACCOUNTING

The organization uses the accrual basis of accounting.

PLEDGES RECEIVABLE

Receivables consist mainly of amounts due for pledges made. No allowance for doubtful accounts has been provided. Receivables are written off directly after they are considered uncollectable.

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REVENUE RECOGNITION

Contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional pledges are recorded as income in the year in which verified evidence of the pledges is received. Pledges payable in future periods are considered time-restricted. These pledges are recorded as temporarily restricted receivables, at their present value, until they are paid.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When the restriction expires i.e. when a stipulated time ends or purpose is accomplished, the restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets.

ESTIMATES

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

FINANCIAL STATEMENT PRESENTATION

The organization adopted Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profits Organizations. As such, all information regarding its financial position and activities are reported within three classes of net assets:

Unrestricted – Assets over which the board of directors has discretionary control

Temporarily restricted – Assets subject to donor imposed restrictions in terms of time or purpose.

Permanently restricted – Assets subject to donor requirement are to be maintained permanently.

PROPERTY AND EQUIPMENT

Furniture and equipment is recorded at cost or fair market value at time of donation. Depreciations is computed using the straight-line method over estimated useful life of 3 to 10 years. The cost of maintenance is expensed as incurred and significant improvements are capitalized. The building is depreciated over its estimated life of 31.5 years.

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

DONATED SERVICES AND MATERIALS

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that enhance non-financial assets are recorded at their fair value. The organization received donations of 17 dogs in 2013 estimated at \$9,500 and received donations of 10 dogs in 2012 estimated at \$7,900. All dog costs are expensed when received.

CONCENTRATIONS

The Organization maintains its cash in interest bearing accounts at a financial institution and at various times the balance may exceed the federal deposit insurance amount.

There are no significant donors in 2013. In 2012, there was a significant donor who accounts for 55% of the support earned during the year due to donations on a lead capital campaign gift. One vendor accounts for over 50% of the accounts payable at December 31, 2013 and 2012.

SUBSEQUENT EVENTS

The Organization was evaluated for material subsequent events through July 15, 2014, the date the financial statements were issued.

NOTE 2 – INCOME TAXES

The organization is exempt from taxes under Internal Revenue Code Section 501 (c) (3). As such, all contributions to the organizations qualify as a charitable deduction by the donor.

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of programs and supporting services has been summarized on a functional basis. Salaries and related expenses are allocated to program and services based on the actual time spent on each program. The remaining expenses are specifically allocated whenever practical, and when this is impractical, are allocated on the best estimate of management.

NOTE 4 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Assets were released from restriction in 2013 and 2012 in the amount of \$739,084 and \$423,646 respectfully.

HEARING AND SERVICE DOGS OF MINNESOTA
dba - Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – DONATED SERVICES AND PROPERTY

The organization recorded in-kind contributions of \$50,711 and \$106,457 in 2013 and 2012, respectfully. These contributions are comprised of the following:

	<u>2013</u>	<u>2012</u>
Veterinarian services	11,195	15,774
Dogs & supplies	21,805	26,422
Equipment & vehicles	7,500	4,500
Professional audio services	5,700	28,918
Office supplies	4,501	30,843
	<u>\$ 50,711</u>	<u>\$106,457</u>

The organization receives significant amounts of donated services from substantial numbers of unpaid volunteers who assist in the program services of the organization.

NOTE 6 – PENSION PLAN

The organization has established a defined contribution plan covering all full time employees who have completed one year of service and have attained the age of 18 years. The contribution is discretionary and is determined each year by the board. For the years ended December 31, 2013 and 2012 organization contributions to the plan were \$ 14,852 and \$12,944 respectively.

NOTE 7 – LONG TERM DEBT

Long term debt outstanding at December 31, is as follows:

	<u>2013</u>	<u>2012</u>
A \$1,230,019 contract for deed initiated June 2009 payable to building seller with interest only payments of 5.0% per annum through June 2015 and 6% then after. Minimum principal payment of \$50,000 due at the Organization’s discretion within the first five years was satisfied with a \$272,567 payment in 2013. Full payment is due October 2020. Note is secured by the building.	\$827,453	\$1,100,020

Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

To the Board of Directors
HEARING AND SERVICE DOGS OF MINNESOTA
dba CAN DO CANINES

We have audited the financial statements of **HEARING AND SERVICE DOGS OF MINNESOTA dba CAN DO CANINES** as of and for the year ended December 31, 2013, and have issued our report thereon dated July 16, 2014.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the organization for the period ended December 31, 2013, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the organization is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and the transactions are executed in accordance with managements' authorization and recorded properly to permit the preparation of financial statements in accordance with the income tax basis. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material matters involving the internal control structure that we consider to be material weaknesses as defined above.

This report is intended for the information of the organization.


KNEISL & ASSOCIATES, LTD.
July 16, 2014