



**DOGS FOR
DIABETICS
INCORPORATED**

**AUDITED
FINANCIAL STATEMENTS**

Years Ended

June 30, 2017 and 2016

With Independent Auditors' Report

Dogs4Diabetics

(A California Non-Profit Corporation)
June 30, 2017

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DOGS4DIABETICS

1400 Willow Pass Court, Suite 200

Concord, California 94520

925-246-5785

General Inquiries: info@dogs4diabetics.com

Web Site Address: www.dogs4diabetics.com



CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS REGALIA, CPA
MARIANNE RYAN
JANICE TAYLOR, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
WEB : WWW.MRCPA.COM OFFICE : 925.314.0390
DANA CHAVARRIA, CPA
TRICIA WILSON
WENDY THOMAS, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
VALERIE REGALIA
FAX : 925.314.0469

INDEPENDENT AUDITORS' REPORT

The Board of Directors Dogs4Diabetics

We have audited the accompanying financial statements of Dogs4Diabetics (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets, 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 Dogs4Diabetics as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Dogs4Diabetics' June 30, 2016 financial statements. In our report dated September 12, 2016, we expressed an unmodified opinion on those financial statements.

Regalia & Associates

October 24, 2017
Danville, California

Dogs4Diabetics

Statements of Financial Position June 30, 2017 and 2016

ASSETS

	2017		2016
Current assets:			
Cash and cash equivalents	\$ 501,306	\$	328,731
Total current assets	<u>501,306</u>		<u>328,731</u>
Noncurrent assets:			
Prepaid expenses	1,350		-
Property and equipment, net	4,317		2,355
Total noncurrent assets	<u>5,667</u>		<u>2,355</u>
	<u>\$ 506,973</u>	<u>\$</u>	<u>331,086</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable and accrued liabilities	\$ 9,407	\$	6,206
Total current liabilities	<u>9,407</u>		<u>6,206</u>
Net assets:			
Unrestricted	497,566		324,880
Total net assets	<u>497,566</u>		<u>324,880</u>
	<u>\$ 506,973</u>	<u>\$</u>	<u>331,086</u>

Dogs4Diabetics

Statements of Activities and Changes in Net Assets Years Ended June 30, 2017 and 2016

	2017	2016
<i>Changes in unrestricted net assets:</i>		
Revenue and support:		
Earned revenue:		
Program service fees	\$ 2,480	\$ 2,095
Interest income	366	207
Total earned revenue	2,846	2,302
 Grants and contributions:		
Individual and business donations	318,337	209,856
Foundation grants	199,700	119,800
Corporate donations	53,333	111,802
In-kind donations	127,125	127,575
Total grants and contributions	698,495	569,033
Total revenue and support	701,341	571,335
 Expenses:		
Program services	429,479	441,611
Development	76,665	73,717
General and administrative	22,511	22,632
Total expenses	528,655	537,960
Increase in unrestricted net assets	172,686	33,375
 Increase in net assets	172,686	33,375
Net assets at beginning of year	324,880	291,505
Net assets at end of year	\$ 497,566	\$ 324,880

Dogs4Diabetics

Statements of Cash Flows Years Ended June 30, 2017 and 2016

	2017	2016
<i>Operating activities:</i>		
Increase in net assets	\$ 172,686	\$ 33,375
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	2,355	2,174
Changes in:		
Prepaid expenses	(1,350)	-
Accounts payable and accrued liabilities	3,201	(131)
	176,892	35,418
<i>Investing activities:</i>		
Acquisition of property and equipment	(4,317)	-
	(4,317)	-
Increase in cash and cash equivalents	172,575	35,418
Cash and cash equivalents at beginning of year	328,731	293,313
	\$ 501,306	\$ 328,731
<i>Additional cash flow information:</i>		
State registration fees paid	\$ 75	\$ 75
Interest paid	\$ -	\$ -

Dogs4Diabetics

Statement of Functional Expenses

Year Ended June 30, 2017

(with Summarized Financial Information for the Year Ended June 30, 2016)

	Program Services	Develop- ment	General and Admin- istrative	Totals June 30, 2017	Totals June 30, 2016
Depreciation	\$ 2,002	\$ -	\$ 353	\$ 2,355	\$ 2,174
Dog training and materials	26,209	187	-	26,396	21,819
In-kind services and supplies	7,125	-	-	7,125	7,575
Insurance	4,866	-	859	5,725	11,324
Maintenance	4,002	-	706	4,708.00	5,344
Miscellaneous	5,189	838	1,064	7,091	8,569
Occupancy	16,456	-	2,904	19,360	18,000
Postage and shipping	2,224	-	393	2,617	1,459
Printing	6,683	-	-	6,683	9,401
Professional fees	12,375	-	9,759	22,134	49,633
Promotional and events	950	14,677	-	15,627	15,312
Salaries, taxes and benefits	329,671	60,316	4,289	394,276	371,982
Telephone and internet	3,637	-	642	4,279	3,662
Travel	8,090	647	1,542	10,279	11,706
Totals	\$ 429,479	\$ 76,665	\$ 22,511	\$ 528,655	\$ 537,960

Notes to Financial Statements June 30, 2017 and 2016

1. Organization

Dogs4Diabetics is an innovative non-profit organization that provides quality medical alert assistance dogs to insulin-dependent diabetics through a program of training, placement, and follow-up services. As an additional element of its mission, Dogs4Diabetics has developed, and now promotes and advocates standards of quality, performance, support and disclosure for all medical assistance dog teams.

Dogs4Diabetics assistance dogs are specifically trained to identify, and more importantly, act upon the subtle scent changes that hypoglycemia (low blood glucose) creates in body chemistry, changes undetectable to their human companions. Specifically, Dogs4Diabetics provides the following services:

- Training and certifying dogs for hypoglycemia (low blood glucose) medical alert.
- Studying and developing training protocols for the Dogs4Diabetics program.
- Qualifying diabetic youth and adults for placement and service of our dogs.
- Training diabetic youth and adults for the proper use and care of our dogs.
- Conducting placement follow-up services.
- Educating businesses, organizations, and the public to the uses, rights, and standards appropriate for all accredited medical alert dogs.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Dogs4Diabetics (the Company) have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Company had no temporarily or permanently restricted net assets at June 30, 2017 and 2016.

Revenue Recognition

The Company records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities and changes in net assets as net assets released from restrictions.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and money market deposits that have a maturity of less than three months when opened.

Property and Equipment

Property and equipment purchased by the Company are recorded at cost. Property and equipment donated to the Company are recorded at estimated fair value as of the date of the gift. Repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets of five years.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers donate a substantial amount of time to the Company. While significant in value, these services are not recorded in the financial statements since such services are not susceptible to objective measurement or valuation because they did not meet the criteria for recognition under ASC 958.205, *Accounting for Contributions Received and Contributions Made*.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, the Company is required to report information regarding its exposure to various tax positions taken by the Company and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that it has adequately evaluated its current tax positions and has concluded that as of June 30, 2017 and 2016, the Company does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

The Company has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the Company continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. The Company may periodically receive unrelated business income (such as sublease rental income) requiring the Company to file separate tax returns under federal and state statutes. Under such conditions, the Company calculates and accrues the applicable taxes.

Use of 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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses

The costs of providing the Company's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$501,306 and \$328,731 at June 30, 2017 and 2016, respectively, consist of FDIC-insured funds in local checking and money market accounts that have a maturity date of 90 days or less.

4. Property and Equipment

Property and equipment consist of the following at June 30, 2017 and 2016:

	2017	2016
Computers	\$ 3,339	\$ 3,339
Software	3,826	3,826
Furniture and fixtures	9,093	9,093
Office equipment	6,116	1,799
Tenant improvements	40,869	40,869
Subtotal	63,243	58,926
Less: accumulated depreciation	(58,926)	(56,571)
Property and equipment, net	\$ 4,317	\$ 2,355

Depreciation expense amounted to \$2,355 and \$2,174 for the years ended June 30, 2017 and 2016, respectively.

5. Leases

The Company leases premises in Concord, California under a month-to-month operating lease which requires a monthly rental payment of \$1,500. The Company also rents space from local organizations for program events as needed. Rent expense amounted to \$19,360 and \$18,000 for the years ended June 30, 2017 and 2016, respectively, and is included in occupancy expense on the statement of functional expenses.

6. Advertising

Advertising costs are expensed as incurred. There was no advertising expense for the year ended June 30, 2017. Advertising expenses amounted to \$132 for the year ended June 30, 2016. These are included with miscellaneous expense on the statement of functional expenses.

Notes to Financial Statements

7. Commitments and Contingencies

In the normal course of business the company incurs commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operations. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate the Company to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond the Company's control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) could be subject to review and final acceptance by the granting entities.

8. Net Assets

Unrestricted

Unrestricted net assets of \$497,566 and \$324,880 at June 30, 2017 and 2016, respectively, represent the cumulative net surpluses since the organization's inception.

9. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the Company has evaluated subsequent events through October 24, 2017 the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.