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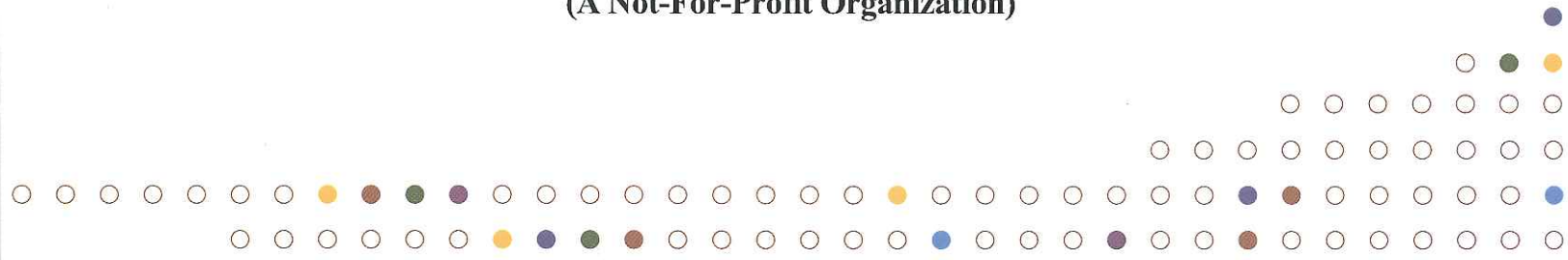
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**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**



**Financial Statements**

**December 31, 2009**



BETTER TOGETHER™

## Independent Auditors' Report

To the Board of Directors of  
Canine Assistants, Inc.

We have audited the accompanying statement of financial position of Canine Assistants, Inc. (the Organization) (a not-for-profit organization) as of December 31, 2009 and the related statements of activities, changes in net assets and cash flows for the period from June 1, 2009 to December 31, 2009. These financial statements are the responsibility of the management of the Organization. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canine Assistants, Inc. as of December 31, 2009 and the changes in its net assets and its cash flows for the period from June 1, 2009 to December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

*Bennett Thrasher PC*

May 5, 2010

**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**

**Statement of Financial Position**  
**December 31, 2009**

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**Assets**

Cash and cash equivalents	\$	80,001
Pledges receivable, net of allowances of \$75,951		469,731
Prepaid expenses		2,045
Deferred training costs		1,126,845
Deferred loan costs, net		6,429
Investments restricted for endowment purposes		314,665
Horses, breeding stock and spokesdogs, less accumulated depreciation		164,430
Property and equipment, less accumulated depreciation and amortization		1,364,680
		<u>1,364,680</u>
	\$	<u>3,528,826</u>

**Liabilities and Net Assets**

Liabilities:

Borrowings under line of credit	\$	190,000
Accounts payable and accrued liabilities		194,314
Deferred revenue		200,000
Capital leases		28,639
Long-term debt		821,502
		<u>821,502</u>
Total liabilities		<u>1,434,455</u>

Commitments and contingencies

Net assets:

Unrestricted		772,810
Temporarily restricted		1,001,561
Permanently restricted		320,000
		<u>320,000</u>
Total net assets		<u>2,094,371</u>
	\$	<u>3,528,826</u>

*See accompanying notes to financial statements.*

**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**

**Statement of Activities**  
**For the Period from June 1, 2009 to December 31, 2009**

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Changes in unrestricted net assets:	
Contributions	\$ 1,065,188
Sponsorship revenue	350,000
Net realized and unrealized gains on investments	14,386
Net assets released from restrictions	<u>777,224</u>
Total unrestricted support	<u>2,206,798</u>
Expenses:	
Animal training and care	225,415
Depreciation and amortization	89,666
Insurance	139,357
Interest expense	34,508
Office expense and other	60,417
Pet and kennel supplies	8,765
Repairs and maintenance	37,282
Professional fees	85,371
Public relations and travel costs	526,016
Salaries, compensation and related costs	661,219
Utilities and telephone	69,459
Veterinarian and other supplies	<u>135,129</u>
Total expenses	<u>2,072,604</u>
Increase in unrestricted net assets	<u>134,194</u>
Changes in temporarily restricted net assets:	
Contributions	648,253
Net realized and unrealized gains on valuation of investments	46,280
Net assets released from restrictions	<u>(777,224)</u>
Decrease in temporarily restricted net assets	<u>(82,691)</u>
Changes in permanently restricted net assets:	
Contributions	<u>-</u>
Changes in net assets	<u><u>\$ 51,503</u></u>

*See accompanying notes to financial statements.*

**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**

**Statement of Changes in Net Assets**  
**For the Period from June 1, 2009 to December 31, 2009**

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	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets at June 1, 2009	\$ 638,616	\$ 1,084,252	\$ 320,000	\$ 2,042,868
Changes in net assets	<u>134,194</u>	<u>(82,691)</u>	<u>-</u>	<u>51,503</u>
Net assets at December 31, 2009	<u>\$ 772,810</u>	<u>\$ 1,001,561</u>	<u>\$ 320,000</u>	<u>\$ 2,094,371</u>

*See accompanying notes to financial statements.*

**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**

**Statement of Cash Flows**  
**For the Period from June 1, 2009 to December 31, 2009**

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Cash flows from operating activities:	
Changes in net assets	\$ 51,503
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Net realized and unrealized gains on investments	(60,666)
Depreciation and amortization	89,666
Changes in assets and liabilities:	
Pledges receivable	562,240
Prepaid expenses	6,919
Deferred training costs	(30,752)
Accounts payable and accrued liabilities	36,400
Deferred revenue	(350,000)
Net cash provided by operating activities	<u>305,310</u>
Cash flows from investing activities:	
Proceeds from sales of investments	1,847
Purchases of property and equipment	(116,623)
Net cash used in investing activities	<u>(114,776)</u>
Cash flows from financing activities:	
Net borrowings on line of credit	(56,154)
Repayments to officers	(74,666)
Proceeds from long-term debt	33,951
Principal payments on long-term debt and capital lease obligations	(13,664)
Net cash used in financing activities	<u>(110,533)</u>
Net increase in cash and cash equivalents	80,001
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 80,001</u>
<b>Supplemental Disclosure of Cash Flow Information</b>	
Cash paid during the period for interest	<u>\$ 24,919</u>
Dogs selected from assistance dog inventory for breeding and other productive purposes	<u>\$ 11,320</u>

*See accompanying notes to financial statements.*

**Canine Assistants, Inc.**  
**(A Not-For-Profit Organization)**

**Notes to Financial Statements**  
**December 31, 2009**

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**Note 1: Description of Organization and Summary of Significant Accounting Policies**

**Description of Organization**

Canine Assistants, Inc. (the Organization) obtains (through breeding, purchase or donation), raises, trains and places assistance dogs (i.e. service dogs, companion dogs and private-placement dogs) throughout the United States of America with children and adults who have special needs other than blindness. All candidates are required to complete two weeks of intensive training in the proper use and care of the dogs. Services, which include an assistance dog and instruction in its use, travel expenses to and from the Organization's training facility, room and board during the two-week instruction period, a specially designed harness for the dog and follow-up care and veterinarian care when requested, are provided to recipients without charge. The Organization also conducts community outreach through its public awareness campaigns in local communities and provides animal assisted therapy programs (i.e. horses used for therapeutic riding). The Organization is supported primarily through donations provided by individuals, corporations and private foundations. The Organization's administrative and training facilities and kennels are located in Milton, Georgia. The Organization was incorporated under the laws of the state of Georgia on December 31, 1991.

Since inception, the Organization has placed 792 assistance dogs with recipients. During the period from June 1, 2009 to December 31, 2009, the Organization placed 39 service dogs. The number of applicants on the Organization's assistance dog waiting list totaled approximately 1,204 applicants as of December 31, 2009.

**Use of Estimates in Financial Statements**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP 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 estimated.

**Change in Accounting Period**

During 2009, the Organization changed from a fiscal year end of May 31 to a calendar year end. The accompanying statements of activities, changes in net assets and cash flows include seven months of activity for the period from June 1, 2009 to December 31, 2009.

## **Recently Issued Accounting Standards**

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) 105, *Generally Accepted Accounting Principles*, which established FASB ASC as the sole source of authoritative GAAP. Pursuant to the provisions of FASB ASC 105, the Organization updated references to GAAP in its financial statements for the period from June 1, 2009 to December 31, 2009. The adoption of FASB ASC did not impact the Organization's financial position or results of operations.

Effective June 30, 2009, the Organization adopted FASB ASC 855, *Subsequent Events*. The update modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, the standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued (for nonpublic entities). It also requires the disclosure of the date through which subsequent events have been evaluated. The update did not result in significant changes in the practice of subsequent event disclosures, and therefore the adoption did not have a material impact on the Organization's financial statements.

The Organization has evaluated for subsequent events between the statement of financial position date of December 31, 2009 and May 5, 2010, the date the financial statements were issued, and has concluded that no recognized or non-recognized subsequent events have occurred other than those discussed in Note 6.

## **Basis of Accounting**

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. The assets, liabilities and net assets of the Organization are reported in three self-balancing categories as follows:

- Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Organization and its purposes.
- Temporarily restricted net assets are resources whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be removed by actions of the Organization (see Note 7).
- Permanently restricted net assets are resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization. Permanently restricted net assets consist of assets held for endowment purposes of the Organization (see Note 8).

## **Cash and Cash Equivalents**

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. The Organization believes it mitigates risks by depositing cash and investing in cash equivalents with major financial institutions.

## **Investments**

Investments, including investments restricted for endowment purposes, are carried at fair value.

Investment income and gains and losses on investments carried at fair value are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Donated marketable securities are recognized as contributions at their estimated fair values at the date of donation.

Investments restricted for endowment purposes represent assets that have been donated to provide income for general operating purposes or capital repairs and maintenance of the Organization (See Note 8). The principal amounts of the initial gifts have been presented as permanently restricted net assets in the accompanying statement of financial position. The cumulative amount of the net appreciation on the valuation of the investments since the initial gift dates has been included in unrestricted or temporarily restricted net assets in the accompanying statement of financial position depending on whether such net appreciation has been specifically restricted in the endowment gift documents.

## **Deferred Training Costs**

Deferred training costs consist of puppies, dogs that are being trained as assistance dogs and dogs that have not yet been selected as breeding stock or for other productive purposes. Assistance dogs raised by the Organization generally require a growing and training period of 14 to 16 months. Deferred costs consist of all direct and indirect costs of dogs raised as service dogs, companion dogs or private-placement dogs, including the fair value of donated dogs, until the dogs have completed their training and are ready to be placed with a recipient. Such costs include feed, labor and overhead costs required to raise and train the dogs. Deferred training costs of service dogs, companion dogs and private-placement dogs are charged to animal-related expenses when the dogs are placed with recipients. Deferred training costs related to 90 dogs at December 31, 2009.

### **Horses, Breeding Stock and Spokedogs**

Horses, which are used for therapeutic riding, are recorded at cost when purchased or fair value at the gift date when donated and depreciated on a straight-line basis over the estimated fifteen year useful lives of the horses.

All direct and indirect costs of dogs raised as breeding stock or spokesdogs, including the fair value at the gift date of donated dogs, are deferred until the dogs reach maturity and are selected for breeding or other productive purposes. At the point of maturity, the dogs are depreciated on a straight-line basis over their estimated useful lives, four to eight years. Breeding stock and spokesdogs are charged to animal-related expenses when the dogs are sold or given away.

### **Method of Depreciation and Amortization**

Property and equipment are stated at cost, if purchased or fair value at the gift date, if donated. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the individual assets as follows: three years for software; five to ten years for medical and farm equipment and vehicles; seven to fifteen years for improvements and fencing; and twenty years for the house, kennels and administration building.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When indicators of impairment are present, the Organization evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying business. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no assets were impaired as of December 31, 2009.

### **Donated Materials, Equipment and Services**

A substantial number of volunteer hours have been donated by individuals to the Organization's program services. No amounts have been recorded in the accompanying statement of activities for these donated services as only donations of service that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as support and expense.

Recorded contributions include amounts related to air travel expenses which were paid by the use of frequent flyer mile awards which were donated by the patrons of an airline which facilitates and honors such awards for air travel. The associated air travel related to recipients and their families, and for promotional travel by the Organization's development staff.

## **Recognition of Revenue**

Contributions and grants (including unconditional promises to give same, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions in the accompanying statement of activities when significant. As of December 31, 2009, there were no unconditional pledges greater than a year. Conditional pledges are not included as support until the conditions are substantially met.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a noncapital donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

The Organization recognizes contributions of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the donated or acquired long-term assets are placed in service.

The Organization has entered into a sponsorship agreement with a corporate sponsor which entitles the Organization to contributions for a three-year period. The agreement contains certain sponsorship rights and other provisions as defined in the agreement which include a requirement by the Organization to place a specified number of dogs annually. Revenue generated from the sponsorship is recorded evenly over the applicable contract period. Deferred revenue related to the agreement totaled \$200,000 as of December 31, 2009.

## **Endowment Funds**

The Organization's endowment funds consist of two funds established for a variety of purposes (Note 8). The endowment funds include only donor-restricted endowments. As required by GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## **Interpretation of Relevant Law related to Endowment Funds**

The Organization's Board of Directors has interpreted Georgia's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Because of this, the Organization classifies the original value of gifts (initial or subsequent) donated in accordance with the purpose established by the donor as permanently restricted net assets. To the degree that there are gains or other net income generated and potentially available for expenditure, these are classified as temporarily restricted net assets in accordance with the purpose established by the donor or until appropriated by the Board of Directors for endowments whose use is unrestricted.

## **Major Donors**

Approximately 40% of all contributions were received from two donors for the period from June 1, 2009 to December 31, 2009.

## **Advertising Costs**

Public relations and travel costs, primarily trainer and spokesdog travel expenses and a portion of the cost of training candidates, are considered program service expenses and are expensed as incurred. Public relations and travel costs totaled approximately \$526,000 during the period from June 1, 2009 to December 31, 2009 and are included in public relations and travel costs in the accompanying statement of activities.

## **Veterinary Care**

The Organization has an informal arrangement with all recipients to provide veterinary care for the life of their service dog or companion dog when a recipient is unable to do so. The Organization attempts to provide this care at its facilities in Milton, Georgia; however, when this is not possible, the Organization attempts to obtain donated veterinary services in the recipient's area. These costs are charged to animal training and care expenses as incurred in the accompanying statement of activities.

## **Deferred Loan Costs**

Deferred loan costs relate to the refinancing of the notes payable and are being amortized on a straight-line basis over the life of the note. Amortization expense was \$1,134 for the period from June 1, 2009 to December 31, 2009 and is included as a component of depreciation and amortization in the accompanying statement of activities.

## Income Taxes

The Organization has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. In the opinion of management, the Organization had no significant unrelated business taxable income during the period from June 1, 2009 to December 31, 2009; accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements.

On June 1, 2009, the Organization adopted the provisions of FASB ASC 740, *Income Taxes*. ASC 740 requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC 740 had no impact on the Organization's statement of financial position or statement of activities. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

## Note 2: Investments

Investments were restricted for endowment purposes as of December 31, 2009 and were comprised of mutual funds and other fixed income securities. Investments totaled \$314,665 at December 31, 2009. Net realized and unrealized gains on valuation of investments totaled \$60,666 at December 31, 2009.

## Fair Value Measurement

The Organization defines fair value as the price that would be received from selling an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The measurements of all of the fair values of the Organization's investments for the period from June 1, 2009 to December 31, 2009 are based on quoted market prices.

## Note 3: Horses, Breeding Stock and Spokedogs

A summary of horses, breeding stock and spokedogs at December 31, 2009 follows:

Horses	\$ 43,500
Breeding stock and spokedogs	<u>468,185</u>
	511,685
Less accumulated depreciation	<u>347,255</u>
	<u><u>\$ 164,430</u></u>

Depreciation expense associated with horses, breeding stock and spokedogs totaled \$32,464 for the period from June 1, 2009 to December 31, 2009.

#### **Note 4: Property and Equipment**

A summary of property and equipment at December 31, 2009 follows:

Land	\$ 619,343
House, kennels and administration building	908,135
Improvements and fencing	289,813
Vehicles	284,146
Medical and farm equipment	261,800
Construction in process	125,208
Software	2,984
	<hr/>
	2,491,429
Less accumulated depreciation and amortization	1,126,749
	<hr/>
	<u>\$ 1,364,680</u>

Depreciation and amortization expense associated with property and equipment totaled \$56,068 for the period from June 1, 2009 to December 31, 2009.

#### **Note 5: Capital Lease Obligations**

The Organization leases certain equipment under agreements that are classified as capital leases. The following is a schedule by year of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments, as of December 31, 2009:

<b>Year ending December 31,</b>	
2010	\$ 9,377
2011	9,251
2012	6,764
2013	6,764
	<hr/>
Total minimum lease payments	32,156
Less amount representing interest	3,517
	<hr/>
Present value of minimum lease payments	<u>\$ 28,639</u>

The cost of equipment under capital leases is included in the statement of financial position as property and equipment, net and totaled \$42,072 at December 31, 2009. Amortization of assets under capital leases is included in depreciation expense and totaled \$4,908 for the period from June 1, 2009 to December 31, 2009. At December 31, 2009, accumulated amortization on equipment under capital leases was \$10,189.

## Note 6: Debt

### Line of Credit

The Organization has a line of credit with a financial institution with borrowings up to \$250,000, which expires on March 24, 2010. Borrowings under the agreement are restricted for short-term operational needs of the Organization and are secured by certain property and an assignment of rents. In connection with the line of credit agreement, the Organization is required to adhere to certain financial covenants. At December 31, 2009, the Organization was not in compliance with certain financial covenants; however, the financial institution waived such noncompliance subsequent to December 31, 2009. Borrowings carry interest at the greater of the prime rate (3.25% at December 31, 2009) or 3.5%. Borrowings under the line of credit totaled \$190,000 at December 31, 2009. The amount available under the agreement totaled \$60,000 as of December 31, 2009.

In April 2010, the Organization renewed the line of credit with a maturity date of May 15, 2011. Borrowings will carry interest at the greater of prime rate plus 0.50% or 4.25%.

### Debt

A summary of long-term debt at December 31, 2009 follows:

Mortgage note payable to a financial institution; interest at 6.30%; secured by land; monthly installments of \$5,904 including interest; matures in February 2012	\$ 787,551
Note payable to vendor; interest at 5.0%; monthly installments of \$1,979 including interest; matures in July 2011	<u>33,951</u>
	<u><u>\$ 821,502</u></u>

Principal maturities on long-term debt at December 31, 2009 were as follows:

2010	\$ 40,474
2011	38,614
2012	<u>742,414</u>
	<u><u>\$ 821,502</u></u>

**Note 7: Temporarily Restricted Net Assets**

The components of temporarily restricted net assets at December 31, 2009 follow:

Animal-related program expenses	\$ 18,500
Capital improvements	936,781
Endowments	<u>46,280</u>
	<u>\$ 1,001,561</u>

Net assets were released from donor restrictions during the period from June 1, 2009 to December 31, 2009 by incurring expenses satisfying purposes specified by donors as follows:

Program expenses:	
Animal-related	\$ 175,750
Equipment	117,130
Airline travel	<u>484,344</u>
	<u>\$ 777,224</u>

**Note 8: Permanently Restricted Net Assets**

The components of permanently restricted net assets at December 31, 2009 follow:

General operating purposes	\$ 120,000
Capital repairs and maintenance	<u>200,000</u>
	<u>\$ 320,000</u>

Changes in endowment net assets for the period from June 1, 2009 to December 31, 2009 are as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Beginning of year	\$ (22,142)	\$ -	\$ 320,000	\$ 297,858
Investment income (loss)	2,726	(1,211)	-	1,515
Unrealized gains	11,660	47,491	-	59,151
Amounts appropriated for expenditure	(3,463)	-	-	(3,463)
	<u>\$ (11,219)</u>	<u>\$ 46,280</u>	<u>\$ 320,000</u>	<u>\$ 355,061</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the donor's original gift. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets and were \$8,927 as of December 31, 2009. This deficit resulted from recent unfavorable market fluctuations that occurred in conjunction with extreme market turbulence.

The Organization's management has chosen to continue to provide the services that these endowment funds would support by use of unrestricted funds for the period from June 1, 2009 to December 31, 2009 as well as for 2010. It is anticipated at this time that the Organization will continue this policy until the endowments regain their value and are generating income and gains that are available to offset expenditures for the related programs. However, this is to be determined each year by management in conjunction with the Organization's budgeting process.

### **Note 9: Functional Expenses**

The Organization raises, obtains, trains and places assistance dogs throughout the United States of America with children and adults who have special needs other than blindness. Certain costs have been allocated among those programs and supporting services benefitted. Expenses relating to providing these services are as follows:

Direct program services	\$ 1,933,866
Fundraising expenses	34,685
General and administrative	<u>104,053</u>
	<u>\$ 2,072,604</u>

**Note 10: Employee Benefit Plan**

The Organization has a salary deferral 401(k) plan which covers substantially all employees with at least one year of service. Contributions to the plan by the Organization totaled \$12,642 for the period from June 1, 2009 to December 31, 2009.

**Note 11: Related Party Transactions**

During 2009, the Organization repaid advances from certain officers of \$74,666. During 2009, certain officers contributed \$216,766 which are presented as unrestricted contributions in the accompanying statement of activities.

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