

---

---

**SUPPORT DOGS, INC.  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

---

---

---

**SUPPORT DOGS, INC. AND SUBSIDIARY**

**JUNE 30, 2013**

---

---

<b>Table of Contents</b>	<b>Page</b>
<b>Independent Auditors' Report</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
<b>Supplementary Information</b>	
<b>Independent Auditors' Report on Supplementary Information</b>	<b>18</b>
Consolidating Statement of Financial Position	19
Consolidating Statement of Activities	20



---

## INDEPENDENT AUDITORS' REPORT

---

To the Board of Directors of  
**Support Dogs, Inc. and Subsidiary**  
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of **Support Dogs, Inc. and Subsidiary (a nonprofit corporation)**, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

---

**INDEPENDENT AUDITORS' REPORT CONTINUED**

---

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Support Dogs, Inc. and Subsidiary** as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Kiefer Bonfanti & Co. LLP*

October 28, 2013  
St. Louis, Missouri

---

**SUPPORT DOGS, INC. AND SUBSIDIARY**

---

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 1,032,613
Contributions receivable	
United Way receivable	72,744
Contributions receivable	237,543
Other receivables	
Grants receivable	23,382
Accounts receivable	4,408
Prepaid expenses	10,988
<hr/>	
<b>Total Current Assets</b>	<b>1,381,678</b>
<b>Contributions Receivable - Long-Term, Net of Discounts</b>	<b>168,431</b>
<b>Property and Equipment, Net</b>	<b>782,717</b>
<b>Investments</b>	<b>488,560</b>
<hr/>	
<b>Total Assets</b>	<b>\$ 2,821,386</b>

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 64,439
Accrued expenses	27,127
Deferred revenue	5,800
<hr/>	
<b>Total Current Liabilities</b>	<b>97,366</b>

**Net Assets**

Unrestricted	
Undesignated	1,097,383
Board designated - operating reserve	230,000
Temporarily restricted	1,246,637
Permanently restricted	150,000
<hr/>	
<b>Total Net Assets</b>	<b>2,724,020</b>
<hr/>	
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,821,386</b>

---

**SUPPORT DOGS, INC. AND SUBSIDIARY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals</b>
<b>Support, Revenue and Gains</b>				
Contributions				
General, grants, and government contracts	\$ 356,969	\$ 60,228	\$ 150,000	\$ 567,197
Capital campaign	-	1,463,820	-	1,463,820
United Way of Greater St. Louis Inc.	-	145,488	-	145,488
Program service fees	15,343	-	-	15,343
Obedience, net of direct expenses of \$21,434	8,741	-	-	8,741
Special events, net of direct expenses of \$67,974	83,700	-	-	83,700
In-kind contributions	31,260	96,000	-	127,260
Other revenue	5,936	-	-	5,936
Net investment income	45,885	-	-	45,885
	547,834	1,765,536	150,000	2,463,370
Net assets released from restrictions	1,026,525	(1,026,525)	-	-
<b>Total Support, Revenue and Gains</b>	<b>1,574,359</b>	<b>739,011</b>	<b>150,000</b>	<b>2,463,370</b>
<b>Expenses</b>				
<b>Program Services</b>				
Assistance dog program	355,279	-	-	355,279
TOUCH program	60,865	-	-	60,865
PAWS for Reading program	14,501	-	-	14,501
Education program	71,566	-	-	71,566
<b>Total Program Services</b>	<b>502,211</b>	<b>-</b>	<b>-</b>	<b>502,211</b>
<b>Supporting Services</b>				
General and administrative	51,347	-	-	51,347
Fundraising	209,754	-	-	209,754
<b>Total Supporting Services</b>	<b>261,101</b>	<b>-</b>	<b>-</b>	<b>261,101</b>
<b>Total Expenses</b>	<b>763,312</b>	<b>-</b>	<b>-</b>	<b>763,312</b>
<b>Change in Net Assets</b>	<b>811,047</b>	<b>739,011</b>	<b>150,000</b>	<b>1,700,058</b>
<b>Net Assets, Beginning of Year</b>	<b>516,336</b>	<b>507,626</b>	<b>-</b>	<b>1,023,962</b>
<b>Net Assets, End of Year</b>	<b>\$ 1,327,383</b>	<b>\$ 1,246,637</b>	<b>\$ 150,000</b>	<b>\$ 2,724,020</b>

**SUPPORT DOGS, INC. AND SUBSIDIARY**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013**

	Program Services				Supporting Services				Total
	Assistance Dog Program	TOUCH Program	PAWS for Reading Program	Education Program	Total Program Services	Mgmt. and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 176,368	\$ 30,453	\$ 9,147	\$ 48,310	\$ 264,278	\$ 26,722	\$ 62,930	\$ 89,652	\$ 353,930
Payroll taxes	11,268	1,953	588	3,082	16,891	1,694	4,023	5,717	22,608
Other employee benefits	16,635	2,709	58	4,324	23,726	3,818	7,620	11,438	35,164
Assistance dog acquisitions	17,720	-	-	-	17,720	-	-	-	17,720
Bank and credit card charges, and investment fees	440	76	23	120	659	7,339	4,648	11,987	12,646
Data processing - payroll	842	146	44	230	1,262	126	300	426	1,688
Depreciation	2,439	422	127	667	3,655	366	870	1,236	4,891
Dues and subscriptions	495	40	20	-	555	20	3,179	3,199	3,754
Equipment leasing	3,818	661	199	1,044	5,722	574	1,364	1,938	7,660
Information technology	1,553	269	81	425	2,328	233	2,307	2,540	4,868
Insurance	665	115	35	182	997	1,892	237	2,129	3,126
Meetings and in-house events	3,557	1,903	-	266	5,726	50	8,077	8,127	13,853
Occupancy	32,787	5,682	1,712	8,967	49,148	4,929	11,704	16,633	65,781
Office supplies	2,923	484	146	763	4,316	503	995	1,498	5,814
Other	2,988	3,486	291	492	7,257	1,034	1,065	2,099	9,356
Postage	1,380	239	72	377	2,068	207	4,088	4,295	6,363
Printing and copying	1,204	1,989	58	301	3,552	166	12,800	12,966	16,518
Professional fees	25,535	1,220	491	1,561	28,807	1,370	66,597	67,967	96,774
Program supplies	35,847	1,381	350	-	37,578	-	-	-	37,578
Staff development	2,830	49	-	-	2,879	152	152	304	3,183
Telephone	1,009	175	53	276	1,513	152	359	511	2,024
Travel and mileage reimbursement	10,964	382	-	179	11,525	-	1,189	1,189	12,714
Uncollectible pledges	-	-	-	-	-	-	15,250	15,250	15,250
Volunteer appreciation	2,012	7,031	1,006	-	10,049	-	-	-	10,049
<b>Total</b>	<b>\$ 355,279</b>	<b>\$ 60,865</b>	<b>\$ 14,501</b>	<b>\$ 71,566</b>	<b>\$ 502,211</b>	<b>\$ 51,347</b>	<b>\$ 209,754</b>	<b>\$ 261,101</b>	<b>\$ 763,312</b>

---

**SUPPORT DOGS, INC. AND SUBSIDIARY**

---

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

<b>Cash Flows from Operating Activities</b>	
Increase in net assets	\$ 1,700,058
Adjustments	
In-kind contributions	(127,260)
Depreciation	5,089
Realized and unrealized gains on investments	(30,698)
Uncollectable pledges	15,250
Contributions restricted for capital campaign	(1,463,820)
(Increase) decrease in operating assets	
United Way receivable	(3,750)
Grants receivable	(23,382)
Accounts receivable	(4,408)
Prepaid expenses	(6,013)
Deposits	15,000
Increase in operating liabilities	
Accounts payable	54,630
Accrued expenses	16,898
Deferred revenue	2,150
<b>Net Cash Provided by Operating Activities</b>	<b>149,744</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of property and equipment	(658,094)
Net purchases of investments	(59,728)
<b>Net Cash Used by Investing Activities</b>	<b>(717,822)</b>
<b>Cash Flows from Financing Activities</b>	
Cash received from capital campaign contributions	1,163,887
<b>Net Cash Provided by Financing Activities</b>	<b>1,163,887</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>595,809</b>
Cash and cash equivalents, beginning of year	436,804
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,032,613</b>

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Business Description and Principles of Consolidation***

**Support Dogs, Inc., (SDI)**, a not-for-profit corporation, was founded to help people with special needs achieve an improved quality of life through the use of assistance dogs. Through the services of a specially trained dog, coupled with a comprehensive educational program in the use of such a dog, the disabled person can achieve a more independent life style and thus develop a better sense of self-worth and competency. **SDI** also provides pet-assisted therapy, through the TOUCH Program, and educational programs, including the PAWS For Reading Program, to thousands of individuals in the St. Louis Metropolitan area.

Stormy Maze Holdings, LLC (**SMHLLC**) was formed in 2012 and is a wholly owned subsidiary of **SDI**. **SMHLLC** is engaged in land acquisition and construction of **SDI's** office facility.

The accompanying financial statements at June 30, 2013, and for the year then ended consolidate the financial position, activities, and cash flows of **SDI** and **SMHLLC** (collectively, the Organization.) All intercompany transactions have been eliminated in the consolidation.

***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

***Financial Statement Presentation***

The Organization reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

***Unrestricted Net Assets***

Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose.

***Temporarily Restricted Net Assets***

Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

***Permanently Restricted Net Assets***

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Financial Statement Presentation (Continued)***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with a donor's stipulation that limits the use of the donated assets. When a donor's restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets.

***Estimates***

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

***Description of Program Service and Supporting Activities*****Program Services*****Assistance Dog Program***

**SDI** trains a variety of assistance dogs to meet several segments of the population.

*Service Dogs* - Dogs trained to complete mobility-related tasks for someone with a physical disability.

*Animal-Assisted Therapy Dogs* - Dogs trained and placed with an individual who is an employee of the facility in which the dog will work.

*Hearing Dogs* - Dogs trained and placed with someone who is deaf or hard of hearing.

*Psychiatric Service Dogs* - Dogs trained to help military veterans, first responders, and EMS personnel suffering from the effects of Post-Traumatic Stress Disorder (PTSD).

***TOUCH Program***

**SDI** provides certification to volunteers and their own dogs to visit various healthcare facilities in the area.

***PAWS for Reading Program***

**SDI** provides additional certification to TOUCH volunteers to bring their dog in classrooms and the public libraries, while using the dog as an incentive for children to read.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Program Services (Continued)**

**Education Program**

Part of the mission of SDI is to educate the community about assistance dogs and the programs offered.

**Supporting Activities**

**Management and General**

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, and manage the financial and budgetary responsibilities of the Organization.

**Fundraising Activities**

Provide the structure necessary to encourage and secure private financial support from corporations, foundations and individuals, in the form of gifts as well as support of fundraising events and capital campaigns.

**Risks and Uncertainties**

Financial instruments that potentially subject the Organization to credit and market risk consist principally of cash, receivables and investments.

The Organization places all cash and cash equivalents and investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. SDI's cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions.

SDI also has a significant amount of investments in marketable securities that are, therefore, subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Contributions Receivable**

Unconditional promises to give (contributions receivable) in future periods are recognized as support in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Property and Equipment***

Property and equipment are carried at cost. Contributed property and equipment is recorded at fair value at the date of donation. Major renewals and betterments are capitalized to the property accounts while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the remaining terms of the leases.

***Valuation of Investments and Income Recognition***

**SDI's** investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. **SDI** presents, in the statement of activities and changes in net assets, investment income, which consists of the dividend and interest income (net of investment fees), realized gains (losses) and unrealized appreciation (depreciation) on those investments.

***Deferred Revenue***

Deferred revenue represents registration fees received for a fundraising event to be held in the subsequent year. The revenue will be recognized as the fundraising event takes place.

***Donated Consumables and Services***

Contributed services and materials are recorded at the estimated fair value if they enhance the Organization's non-financial assets, or are specialized skills that the Organization would normally purchase if not provided by donation. During the year ended June 30, 2013, volunteers donated approximately 85,000 hours to the Organization's program services and its fundraising which did not meet the accounting standards to record as contributions, and, thus, are not reflected in the accompanying financial statements.

***Functional Expenses***

The costs of **SDI's** programs and supporting services have been reported on a functional basis. Expenses that can be identified with a specific program and supporting services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by management.

---

## SUPPORT DOGS, INC. AND SUBSIDIARY

---

### Notes to Financial Statements (Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Advertising Costs***

**SDI** uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred.

##### ***Income Tax Status***

Support Dogs, Inc. and Subsidiary are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization's Returns of Organization Exempt from Income Tax (Form 990s) are subject to examination by the IRS for the statutory period.

#### 2. CONTRIBUTIONS RECEIVABLE

At June 30, 2013, contributions receivable are expected to be collected in the following periods:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 237,543
2015	68,543
2016	59,337
2017	42,000
2018	5,000
	<u>412,423</u>
<u>Less discounts to net present value</u>	<u>(6,449)</u>
	<u>\$ 405,974</u>

A discount rate of 2% was used to record contributions receivable at the present value of the future cash flows at June 30, 2013.

---

## SUPPORT DOGS, INC. AND SUBSIDIARY

### Notes to Financial Statements (Continued)

#### 3. PROPERTY AND EQUIPMENT

At June 30, 2013, property and equipment consist of the following:

Land	\$	699,369
Building - construction in progress		50,950
Leasehold improvements		29,510
Training equipment		28,109
Office furniture and fixtures		46,490
<hr/>		
Property and equipment at cost		854,428
Less accumulated depreciation		(71,711)
<hr/>		
<b>Property and Equipment, Net</b>	<b>\$</b>	<b>782,717</b>

Depreciation expense was \$5,089 for the year ended June 30, 2013.

#### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the standards are described as follows:

##### **Level 1**

Valuations based on unadjusted quoted prices available for identical assets in active markets that the Organization has the ability to access.

##### **Level 2**

Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.

##### **Level 3**

Inputs to the valuation methodology are significant, unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## SUPPORT DOGS, INC. AND SUBSIDIARY

### Notes to Financial Statements (Continued)

#### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2013.

*Mutual funds* - Valued at the net asset value of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value as of June 30, 2013:

Description	<b>Fair Value Measurements at Reporting Date Using</b>		
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Other Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Mutual funds</b>			
Bonds	\$ 170,824	\$ -	\$ -
Equity funds	317,736	-	-
<b>Total</b>	<b>\$ 488,560</b>	<b>\$ -</b>	<b>\$ -</b>

#### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

<b>Time or Purpose Restriction</b>	<b>Amount</b>
Employees Comm. Fund of Boeing - purpose restriction	\$ 5,000
United Way - purpose restriction	3,750
The Boeing Company - purpose restriction	15,000
Old Newsboys - purpose restriction	500
DAVID Fund - purpose restriction	14,458
Capital campaign - purpose restriction	1,135,110
United Way - time restriction	72,819
<b>Total</b>	<b>\$ 1,246,637</b>

**SUPPORT DOGS, INC. AND SUBSIDIARY**

Notes to Financial Statements (Continued)

**5. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

For the year ended June 30, 2013, net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

<b>Net Assets Released from Restriction</b>	<b>Amount</b>
Time restrictions met	\$ 139,262
Purpose restrictions met	887,263
<b>Total</b>	<b>\$ 1,026,525</b>

**6. DISCLOSURES OF ENDOWMENT FUND**

In 2013, **SDI** received a \$150,000 restricted endowment established to provide funding for TOUCH therapy dog teams. Endowment net asset composition is as follows:

Year ended	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>June 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>

Changes in endowment net assets for the year ended June 30, 2013 are as follows:

Year ended	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2012	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	150,000	150,000
Interest and dividends	-	-	-	-
Investment gain (loss)	-	-	-	-
Appropriated for expenditure	-	-	-	-
<b>June 30, 2013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>

**6. DISCLOSURES OF ENDOWMENT FUND (CONTINUED)****Interpretation of Relevant Law**

The Board of Directors of **SDI** has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, **SDI** classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, **SDI** considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that reflects a combination of return-seeking assets and risk-mitigating assets to achieve its long-term return objectives with prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of distributing gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new contributions and investment return.

---

## SUPPORT DOGS, INC. AND SUBSIDIARY

### Notes to Financial Statements (Continued)

#### 7. CONTRIBUTED SERVICES, MATERIALS, AND EQUIPMENT

Significant qualifying services, materials and equipment are contributed to the Organization annually and are recorded at fair value upon receipt. For the year ended June 30, 2013, the Organization recognized in-kind support as follows:

<b>Contributed Service, Materials, and Equipment</b>	<b>Amount</b>
Land	\$ 96,000
Animal acquisition	14,550
Supplies and merchandise	16,710
<b>Total</b>	<b>\$ 127,260</b>

Land, animal acquisition, supplies, and materials contributions have been properly recorded as contribution revenue and expense in the statement of activities.

#### 8. COMMITMENTS AND CONTINGENCIES

The Organization leases its facilities under an operating lease expiring in December 2015, with the option to renew for an additional term of five years. Rent expense for this lease was \$44,904 for the year ended June 30, 2013.

Approximate future minimum lease payments for the remaining terms of this lease are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2014	\$ 48,987
2015	48,987
2016	24,493
<b>Total Future Minimum Lease Payments</b>	<b>\$ 122,467</b>

#### 9. CAPITAL CAMPAIGN

In an effort to further **SDI's** mission to increase services to individuals with disabilities and other growing needs in the community, **SDI's** strategic plan identified a need to increase capacity and facilities. This initiative will allow **SDI** to train an increased number of assistance dogs and recruit and train additional volunteers to serve the community. As a result, during the year ended June 30, 2012, with Board approval, the Organization began exploring opportunities to construct a new facility and also began a capital campaign to fund such opportunities. The cost of the capital campaign increased fundraising expenses by \$72,204 for the year ended June 30, 2013, and as of June 30, 2013, \$1,135,110 of net assets were raised and are restricted for the capital campaign.

---

## SUPPORT DOGS, INC. AND SUBSIDIARY

### Notes to Financial Statements (Continued)

#### 10. CONDITIONAL PROMISE TO GIVE

At the onset of the Capital Campaign, **SDI** received a conditional promise to give of up to \$750,000 in matching funds restricted for the capital campaign. The donor has agreed to match 50% of new money contributed between April 22, 2012 and the end of the campaign. New money is defined as a capital campaign contribution or pledge by a donor. Since this matching donor grant represents a conditional promise to give, this matching grant is not recorded as contribution revenue until donor conditions are met.

During the year ended June 30, 2013, **SDI** recorded revenue of \$476,591 for this pledge. **SDI** also made certain adjustments to beginning net assets to more properly reflect the timing of these pledges.

#### 11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 28, 2013, the date which the financial statements were available to be issued, for possible recognition or disclosure

Subsequent to June 30, 2013 and in conjunction with the capital campaign and construction of the new facility disclosed in Note 9, **SMHLLC** has secured a Construction Line of Credit with a bank. The agreement contains the following terms:

Loan date:	August 20, 2013
Maturity date:	August 20, 2018
Principal:	\$2,000,000
Payment terms (initial):	12 monthly consecutive interest payments beginning October 1, 2013
Payment terms:	45 monthly consecutive principal payments of \$8,333 each, beginning November 1, 2014
	45 monthly consecutive interest payments beginning November 1, 2014
Interest rate:	LIBOR + 2.500 %

---

---

**SUPPLEMENTARY INFORMATION**

---

---



---

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

---

To the Board of Directors of  
**Support Dogs, Inc. and Subsidiary**  
St. Louis, Missouri

We have audited the financial statements of **Support Dogs, Inc. and Subsidiary** as of and for the year ended June 30, 2013, and have issued our report thereon dated October 28, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Kiefer Bonfanti & Co. LLP*

October 28, 2013  
St. Louis, Missouri

**SUPPORT DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2013**

	<b>Assets</b>			
	<b>Support Dogs, Inc.</b>	<b>Stormy Maze Holdings, LLC</b>	<b>Eliminations</b>	<b>Total</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,032,569	\$ 44	\$ -	\$1,032,613
Contributions receivable				
United Way receivable	72,744	-	-	72,744
Contributions receivable	237,543	-	-	237,543
Other receivables				
Grants receivable	23,382	-	-	23,382
Accounts receivable	4,408	-	-	4,408
Due from Stormy Maze Holdings, LLC	750,420	-	(750,420)	-
Prepaid expenses	10,988	-	-	10,988
<b>Total Current Assets</b>	<b>2,132,054</b>	<b>44</b>	<b>(750,420)</b>	<b>1,381,678</b>
<b>Contributions Receivable - Long-Term, Net of Discounts</b>	<b>168,431</b>	<b>-</b>	<b>-</b>	<b>168,431</b>
<b>Property and Equipment, Net</b>	<b>32,397</b>	<b>750,320</b>	<b>-</b>	<b>782,717</b>
<b>Investments</b>	<b>488,560</b>	<b>-</b>	<b>-</b>	<b>488,560</b>
<b>Total Assets</b>	<b>\$ 2,821,442</b>	<b>\$ 750,364</b>	<b>\$ (750,420)</b>	<b>\$2,821,386</b>

	<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>				
Accounts payable	\$ 64,439	\$ -	\$ -	\$ 64,439
Accrued expenses	27,127	-	-	27,127
Deferred revenue	5,800	-	-	5,800
Due to Support Dogs, Inc.	-	750,420	(750,420)	-
<b>Total Current Liabilities</b>	<b>97,366</b>	<b>750,420</b>	<b>(750,420)</b>	<b>97,366</b>
<b>Net Assets</b>				
Unrestricted				
Undesignated	1,097,439	(56)	-	1,097,383
Board designated - operating reserve	230,000	-	-	230,000
Temporarily restricted	1,246,637	-	-	1,246,637
Permanently restricted	150,000	-	-	150,000
<b>Total Net Assets</b>	<b>2,724,076</b>	<b>(56)</b>	<b>-</b>	<b>2,724,020</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,821,442</b>	<b>\$ 750,364</b>	<b>\$ (750,420)</b>	<b>\$2,821,386</b>

**SUPPORT DOGS, INC. AND SUBSIDIARY**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

	<b>Support Dogs, Inc.</b>	<b>Stormy Maze Holdings, LLC</b>	<b>Totals</b>
<b>Support, Revenue and Gains</b>			
Contributions			
General, grants, and government contracts	\$ 567,197	\$ -	\$ 567,197
Capital campaign	1,463,820	-	1,463,820
United Way of Greater St. Louis Inc.	145,488	-	145,488
Program service fees	15,343	-	15,343
Obedience, net of direct expenses of \$21,434	8,741	-	8,741
Special events, net of direct expenses of \$67,974	83,700	-	83,700
In-kind contributions	127,260	-	127,260
Other revenue	5,936	-	5,936
Net investment income	45,881	4	45,885
<b>Total Support, Revenue and Gains</b>	<b>2,463,366</b>	<b>4</b>	<b>2,463,370</b>
<b>Expenses</b>			
<b>Program Services</b>			
Assistance dog program	355,279	-	355,279
TOUCH program	60,865	-	60,865
PAWS for Reading program	14,501	-	14,501
Education program	71,566	-	71,566
<b>Total Program Services</b>	<b>502,211</b>	<b>-</b>	<b>502,211</b>
<b>Supporting Services</b>			
General and administrative	51,287	60	51,347
Fundraising	209,754	-	209,754
<b>Total Supporting Services</b>	<b>261,041</b>	<b>60</b>	<b>261,101</b>
<b>Total Expenses</b>	<b>763,252</b>	<b>60</b>	<b>763,312</b>
<b>Change in Net Assets</b>	<b>1,700,114</b>	<b>(56)</b>	<b>1,700,058</b>
<b>Net Assets, Beginning of Year</b>	<b>1,023,962</b>	<b>-</b>	<b>1,023,962</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,724,076</b>	<b>\$ (56)</b>	<b>\$ 2,724,020</b>