

PAWS ASSISTANCE DOGS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

PAWS ASSISTANCE DOGS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
PAWS Assistance Dogs, Inc.
Naples, Florida

We have audited the accompanying financial statements of PAWS Assistance Dogs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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 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 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 PAWS Assistance Dogs, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rogers Wood Hill Starman + Gustason P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.

Certified Public Accountants & Advisors

October 11, 2019

PAWS ASSISTANCE DOGS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 1,740,120	\$ 942,007
Investments	274	1,850
Pledges receivable	83,500	119,500
Prepaid expenses	-	42,821
Property and equipment, net	12,324	11,913
Total assets	<u>\$ 1,836,218</u>	<u>\$ 1,118,091</u>

LIABILITIES AND NET ASSETS

Account payable and accrued expenses	\$ 2,158	\$ -
Total liabilities	<u>2,158</u>	<u>-</u>
Net assets:		
<u>Without Donor Restrictions</u>		
Undesignated	<u>1,558,345</u>	<u>811,791</u>
<u>With Donor Restrictions</u>		
Purpose restrictions	<u>275,715</u>	<u>306,300</u>
Total net assets	<u>1,834,060</u>	<u>1,118,091</u>
Total liabilities and net assets	<u>\$ 1,836,218</u>	<u>\$ 1,118,091</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Special events	\$ 1,405,725	\$ -	\$ 1,405,725
Individual and corporate contributions	395,988	17,500	413,488
Investment return	814	-	814
Other income	983	-	983
Total revenues and support	1,803,510	17,500	1,821,010
NET ASSETS RELEASED FROM RESTRICTIONS	48,085	(48,085)	-
Total revenues, support and net assets released from restrictions	1,851,595	(30,585)	1,821,010
EXPENSES:			
Program services	447,134	-	447,134
Administrative and general	155,805	-	155,805
Fundraising	502,102	-	502,102
Total expenses	1,105,041	-	1,105,041
INCREASE (DECREASE) IN NET ASSETS	746,554	(30,585)	715,969
NET ASSETS - Beginning of year	811,791	306,300	1,118,091
NET ASSETS - End of year	\$ 1,558,345	\$ 275,715	\$ 1,834,060

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Special events	\$ 721,488	\$ -	\$ 721,488
Individual and corporate contributions	402,685	322,190	724,875
Investment return	617	-	617
Other income	108	-	108
	1,124,898	322,190	1,447,088
NET ASSETS RELEASED FROM RESTRICTIONS	18,890	(18,890)	-
	1,143,788	303,300	1,447,088
EXPENSES:			
Program services	402,372	-	402,372
Administrative and general	95,500	-	95,500
Fundraising	382,707	-	382,707
	880,579	-	880,579
INCREASE IN NET ASSETS	263,209	303,300	566,509
NET ASSETS - Beginning of year	548,582	3,000	551,582
NET ASSETS - End of year	\$ 811,791	\$ 306,300	\$ 1,118,091

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising and managerial	\$ 9,698	\$ 8,267	\$ 1,537	\$ 19,502
Depreciation	5,020	-	-	5,020
Dog care and training	127,632	-	-	127,632
Event expenses	-	-	373,264	373,264
Major funding campaign expenses	-	-	48,085	48,085
Insurance	9,887	8,017	8,017	25,921
Occupancy	63,415	14,555	82	78,052
Professional fees	3,810	42,277	-	46,087
Office and miscellaneous	13,122	8,259	10,616	31,997
Outreach programs	15,917	-	-	15,917
Payroll	198,633	74,430	60,501	333,564
Total	<u>\$ 447,134</u>	<u>\$ 155,805</u>	<u>\$ 502,102</u>	<u>\$ 1,105,041</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE & GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising and managerial	\$ 6,701	\$ 3,502	\$ 6,701	\$ 16,904
Depreciation	5,709	215	216	6,140
Dog care and training	170,772	42	500	171,314
Event expenses	-	-	271,751	271,751
Major funding campaign expenses	-	-	15,890	15,890
Insurance	6,146	5,366	5,577	17,089
Occupancy	55,124	14,025	2,005	71,154
Professional fees	13,206	13,207	-	26,413
Office and miscellaneous	12,858	6,747	6,105	25,710
Payroll	131,856	52,396	73,962	258,214
Total	<u>\$ 402,372</u>	<u>\$ 95,500</u>	<u>\$ 382,707</u>	<u>\$ 880,579</u>

PAWS ASSISTANCE DOGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions	\$ 449,488	\$ 620,375
Special event income received	1,405,725	721,488
Cash paid to suppliers and employees	(1,055,042)	(917,260)
Interest earned	2,390	663
Other income received	983	108
Net cash provided by operating activities	803,544	425,374
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	13,525
Purchase of investments	-	(15,370)
Purchase of property and equipment	(5,431)	(3,912)
Net cash used by investing activities	(5,431)	(5,757)
NET INCREASE IN CASH	798,113	419,617
CASH - Beginning of year	942,007	522,390
CASH - End of year	\$ 1,740,120	\$ 942,007
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	\$ 715,969	\$ 566,509
Depreciation	5,020	6,140
Realized losses on sale of investments	1,576	38
Unrealized losses on investments	-	8
Changes in assets and liabilities:		
Pledges receivable, net	36,000	(104,500)
Prepaid expenses	42,821	(42,821)
Accounts payable and accrued expenses	2,158	-
Net cash provided by operating activities	\$ 803,544	\$ 425,374

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

PAWS Assistance Dogs, Inc. (the "Organization") was organized in the state of Florida in 2012 as a not-for-profit corporation to promote independence for combat wounded veterans and others with life-changing disabilities through partnerships with skilled assistance dogs. The Organization provides education and community outreach in support of the mission through therapy and ambassador programs. The Organization is a respected and sustainable organization that creates meaningful impacts for service dog recipients while making lasting contributions in support of the community and those the Organization serves.

The Organization is supported primarily through donor contributions and special fundraising events.

Basis of Accounting

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

Financial Statements

The financial statements and notes are a representation of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting defined above and have been consistently applied in the preparation of the financial statements.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

Investments

Investments are carried at fair value based on quoted market prices.

Property and Equipment

The Organization capitalizes all expenditures for property, equipment and leasehold improvements and uses the accelerated method of depreciation calculated over the estimated useful lives of the assets. Purchased property and equipment are stated at historical cost or at fair market value at the time of donation.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor restrictions that limit the use of donated assets are treated as net assets with donor restrictions. When the restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Allowance for Doubtful Accounts

The Organization uses the allowance method to determine uncollectible unconditional promises or pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services and fundraising campaigns. The Organization has more than 100 volunteers who have provided approximately 30,000 hours a year. The volunteer hours are not reflected in the consolidated financial statements since the services do not meet the criteria for recognition.

Income Taxes

The Organization is a qualified tax exempt organization under Code Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes, except on net income derived from unrelated business activities. The Organization has no revenues derived from unrelated business activities; accordingly, no provision for income taxes has been made. The Organization follows the income tax standard for uncertain tax positions and, as a result, has evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2018 and 2017.

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 disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the Statements of Activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,740,120
Investments	274
Pledges receivable	80,000
Total financial assets	1,820,394

Less those unavailable for general expenditures within one year, due to:

Donor imposed purpose restrictions	(275,715)
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Financial assets available to meet cash needs for general expenditures within one year

\$ 1,544,679

NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Equity securities	\$ -	\$ -	\$ 1,838	\$ 1,838
Cash equivalents	274	274	12	12
Total	\$ 274	\$ 274	\$ 1,850	\$ 1,850

NOTE 4 - PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of unconditional promises to give and are due as follows:

	Year ending December 31,	2018	2017
		2018	\$ -
	2019	80,000	41,200
	2020	3,500	23,600
		83,500	119,500
Less: unamortized discount		-	-
Total		\$ 83,500	\$ 119,500

Management believes all of the pledges receivable are fully collectible. Accordingly, no allowance for uncollectible pledges receivable has been recorded.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land and building fund	\$ 275,715	\$ 306,300
Total	<u>\$ 275,715</u>	<u>\$ 306,300</u>

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 11,718	\$ 6,287
Vehicles	24,707	24,707
	36,425	30,994
Less accumulated depreciation	(24,101)	(19,081)
Total	<u>\$ 12,324</u>	<u>\$ 11,913</u>

Depreciation expense was \$5,020 and \$6,140 in 2018 and 2017, respectively.

NOTE 7 - INVESTMENT RETURN

Investment return consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 2,390	\$ 663
Net realized loss	(1,576)	(38)
Net unrealized loss	-	(8)
Total	<u>\$ 814</u>	<u>\$ 617</u>

NOTE 8 - FAIR VALUE MEASUREMENTS

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 8 - FAIR VALUE MEASUREMENTS, continued

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31:

	2018		2017	
	Fair Value	Level 1	Fair Value	Level 1
Equity securities	\$ -	\$ -	\$ 1,838	\$ 1,838
Cash	274	274	12	12
	<u>\$ 274</u>	<u>\$ 274</u>	<u>\$ 1,850</u>	<u>\$ 1,850</u>

NOTE 9 - SPECIAL EVENTS

The Organization conducts special events each year. Special event revenues and expenses consisted of the following at December 31:

	2018		
	CMGA	Santa Paws	Total
Revenue	\$ 1,097,250	\$ 308,475	\$ 1,405,725
Less: Expenses	(354,769)	(18,495)	(373,264)
Special event income, net	<u>\$ 742,481</u>	<u>\$ 289,980</u>	<u>\$ 1,032,461</u>

	2017		
	CMGA	Third on Canvas	Total
Revenue	\$ 651,250	\$ 70,238	\$ 721,488
Less: Expenses	(210,837)	(60,914)	(271,751)
Special event income, net	<u>\$ 440,413</u>	<u>\$ 9,324</u>	<u>\$ 449,737</u>

NOTE 10 - LEASE OBLIGATIONS

In April 2014, the Organization entered into a two-year lease for its office in Naples. The lease was extended for an additional four-year period ending March 2020. Rent expense was \$47,442 for both years ended December 31, 2018 and 2017.

The Organization entered into a lease agreement for the rental of office space at 3050 North Horseshoe Drive, Naples, Florida, on August 1, 2019 for the term August 1, 2019 through July 31, 2023. The base rent for this office space is approximately \$1,726 per month.

PAWS ASSISTANCE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2018 AND 2017

NOTE 10 - LEASE OBLIGATIONS, continued

Future minimum lease payments required under office lease are as follows:

<u>Year</u>	<u>Office Lease</u>
2019	\$ 56,070
2020	32,825
2021	21,594
2022	22,242
2023	13,199
	<u>\$ 145,930</u>

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits of \$250,000. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 11, 2019, which is the date the financial statements were available to be issued.

Effective January 2019, the Organization amended its legal name to Golden PAWS Assistance Dogs, Inc.

Subsequent to December 31, 2018, the Organization received contribution pledges totaling approximately \$7,500,000 which are donor restricted for the land and building fund.