



# **DOGS FOR DIABETICS INCORPORATED**

## **AUDITED FINANCIAL STATEMENTS**

*Years Ended*

*June 30, 2018 and 2017*

*With Independent Auditors' Report*

# Dogs4Diabetics

(A California Non-Profit Corporation)  
June 30, 2018

## CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 9

### **DOGS4DIABETICS**

1300 Willow Pass Court, Suite B  
Concord, California 94520  
925-246-5785

General Inquiries: [info@dogs4diabetics.com](mailto:info@dogs4diabetics.com)  
Web Site Address: [www.dogs4diabetics.com](http://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 statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 Dogs4Diabetics as of June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

We have previously audited Dogs4Diabetics' June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Regalia & Associates*

**December 10, 2018  
Danville, California**

# Dogs4Diabetics

## Statements of Financial Position June 30, 2018 and 2017

### ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 366,499	\$ 501,306
Prepaid expenses	5,763	-
Accounts receivable	7,200	-
Total current assets	<u>379,462</u>	<u>501,306</u>
Noncurrent assets:		
Prepaid expenses	1,050	1,350
Security deposits	10,352	-
Property and equipment, net	34,275	4,317
Total noncurrent assets	<u>45,677</u>	<u>5,667</u>
	<u>\$ 425,139</u>	<u>\$ 506,973</u>

### LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,872	\$ 9,407
Total current liabilities	<u>11,872</u>	<u>9,407</u>
Net assets:		
Unrestricted	413,267	497,566
Total net assets	<u>413,267</u>	<u>497,566</u>
	<u>\$ 425,139</u>	<u>\$ 506,973</u>

# Dogs4Diabetics

## Statements of Activities and Changes in Net Assets Years Ended June 30, 2018 and 2017

	2018	2017
<i>Changes in unrestricted net assets:</i>		
Revenue and support:		
Earned revenue:		
Program service fees	\$ 2,595	\$ 2,480
Interest income	267	366
Other income	552	-
Total earned revenue	3,414	2,846
Grants and contributions:		
Individual and business donations	315,176	318,337
Foundation grants	118,410	199,700
Corporate donations	58,258	53,333
In-kind donations	108,594	127,125
Total grants and contributions	600,438	698,495
Total revenue and support	603,852	701,341
Expenses:		
Program services	574,443	429,479
Development	83,189	76,665
General and administrative	30,519	22,511
Total expenses	688,151	528,655
Increase (decrease) in unrestricted net assets	(84,299)	172,686
Increase (decrease) in net assets	(84,299)	172,686
Net assets at beginning of year	497,566	324,880
Net assets at end of year	\$ 413,267	\$ 497,566

# Dogs4Diabetics

## Statements of Cash Flows Years Ended June 30, 2018 and 2017

	2018	2017
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (84,299)	\$ 172,686
Adjustments to reconcile to cash provided by (used for)		
operating activities:		
Depreciation	8,295	2,355
Changes in:		
Prepaid expenses	(5,463)	(1,350)
Security deposits	(10,352)	-
Accounts receivable	(7,200)	-
Accounts payable and accrued liabilities	2,465	3,201
	(96,554)	176,892
<i>Investing activities:</i>		
Acquisition of property and equipment	(38,253)	(4,317)
	(38,253)	(4,317)
Cash used for investing activities	(38,253)	(4,317)
	(134,807)	172,575
Increase (decrease) in cash and cash equivalents	501,306	328,731
Cash and cash equivalents at beginning of year	501,306	328,731
	\$ 366,499	\$ 501,306
Cash and cash equivalents at end of year	\$ 366,499	\$ 501,306
<i>Additional cash flow information:</i>		
State registration fees paid	\$ 75	\$ 75
	-	-
Interest paid	-	-

## Dogs4Diabetics

### Statement of Functional Expenses

**Year Ended June 30, 2018**

*(with Summarized Financial Information for the Year Ended June 30, 2017)*

	Program Services	Development	General and Administrative	Totals June 30, 2018	Totals June 30, 2017
Depreciation	\$ 7,051	\$ -	\$ 1,244	\$ 8,295	\$ 2,355
Dog training and materials	34,118	-	-	34,118	26,396
Facility expenses	3,255	-	-	3,255	-
In-kind services and supplies	8,376	-	-	8,376	7,125
Insurance	8,045	-	1,420	9,465	5,725
Maintenance	4,647	-	820	5,467	4,708
Miscellaneous	11,485	1,121	2,225	14,831	7,091
Occupancy	38,012	-	6,708	44,720	19,360
Postage and shipping	1,648	-	291	1,939	2,617
Printing	3,831	-	-	3,831	6,683
Professional fees	74,534	21,714	8,348	104,596	22,134
Promotional and events	10,841	14,584	-	25,425	15,627
Salaries, taxes and benefits	344,297	45,175	5,070	394,542	394,276
Telephone and internet	7,647	-	1,349	8,996	4,279
Travel	16,656	595	3,044	20,295	10,279
<b>Totals</b>	<b>\$ 574,443</b>	<b>\$ 83,189</b>	<b>\$ 30,519</b>	<b>\$ 688,151</b>	<b>\$ 528,655</b>

See accompanying auditors' report and notes to financial statements.

Page 5

## Notes to Financial Statements June 30, 2018 and 2017

### 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, 2018 and 2017.

#### *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, 2018 and 2017, 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.

#### *Reclassifications*

Certain reclassifications have been made to the 2017 financial statements in order to conform to the presentation used in 2018.

### 3. Cash and Cash Equivalents

Cash and cash equivalents of \$366,499 and \$501,306 at June 30, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Computers	\$ 4,579	\$ 3,339
Furniture and equipment	52,761	19,035
Tenant improvements	44,156	40,869
Subtotal	101,496	63,243
Less: accumulated depreciation	(67,221)	(58,926)
Property and equipment, net	\$ 34,275	\$ 4,317

Depreciation expense amounted to \$8,295 and \$2,355 for the years ended June 30, 2018 and 2017, respectively.

### 5. Leases

The Company leases premises in Concord, California under a month-to-month operating lease which requires a monthly rental payment of \$5,500 as of June 30, 2018. The Company also rents space from local organizations for program events. Rent expense amounted to \$44,720 and \$19,360 for the years ended June 30, 2018 and 2017, 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 years ended June 30, 2018 and 2017.

## 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 net assets of \$413,265 and \$497,566 at June 30, 2018 and 2017, 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 December 10, 2018 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.