

**HEARING AND SERVICE DOGS OF MINNESOTA**  
(A Non-Profit Corporation)

**Audited Financial Statements**  
Year ended December 31, 2010  
(With comparative totals for 2009)

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*Kneisl & Associates, Ltd.*  
*Certified Public Accountants*


**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
HEARING AND SERVICE DOGS OF MINNESOTA  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of **HEARING AND SERVICE DOGS OF MINNESOTA** as of December 31, 2010 and 2009 and related statement of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards of 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 reasonable basis for our opinion.

In our opinion, the financial statement referred to above, present fairly, in all material respects, the financial position of **HEARING AND SERVICE DOGS OF MINNESOTA** as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Kneisl & Associates Ltd  
July 20, 2011

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - checking	\$ 112,356	\$ 19,805
Cash and investments	175,631	783,015
Pledges receivable	171,942	106,925
Prepays	13,237	6,210
Total current assets	473,166	915,955
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles & equipment	93,905	77,916
Land and building	2,773,693	2,477,158
Less accumulated depreciation	(199,410)	(129,312)
	2,668,188	2,425,762
<b>TOTAL ASSETS</b>	<b>3,141,354</b>	<b>3,341,717</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	9,188	247,529
Accrued interest	83,125	37,500
Accrued expenses	30,314	26,632
Total current liabilities	122,627	311,661
Long term debt - less current maturities	1,230,019	1,230,019
<b>NET ASSETS</b>		
Non-designated funds	1,455,649	1,126,119
Designated funds - building	161,117	566,993
Total unrestricted net assets	1,616,766	1,693,112
Temporarily restricted	171,942	106,925
Total net assets	1,788,708	1,800,037
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,141,354</b>	<b>\$ 3,341,717</b>

The accompanying notes are an integral part of these financial statements.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010			2009
	Unrestricted	<i>Temporarily</i> restricted	total	
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public support				
Individual & corporate	\$ 140,216	\$ 143,160	283,376	973,649
Service clubs donations	163,188	-	163,188	101,011
Foundations grants	282,001	-	282,001	138,200
Federated fundraisers	17,906	-	17,906	24,893
Special events - net	216,608	-	216,608	128,192
In-kind contributions	53,095	-	53,095	294,124
Total public support	<u>873,014</u>	<u>143,160</u>	<u>1,016,174</u>	<u>1,660,069</u>
Investment income (loss)	428	-	428	(193)
Net assets released from restrictions	<u>78,143</u>	<u>(78,143)</u>	<u>-</u>	<u>-</u>
Total support and revenue	951,585	65,017	1,016,602	1,659,876
<b>EXPENSES</b>				
Program expenses	896,450	-	896,450	799,855
Support services			-	
Management and general	52,613	-	52,613	51,434
Fundraising	78,868	-	78,868	138,633
Total support services	<u>131,481</u>	<u>-</u>	<u>131,481</u>	<u>190,067</u>
Total expenses	<u>1,027,931</u>	<u>-</u>	<u>1,027,931</u>	<u>989,922</u>
INCREASE IN NET ASSETS	(76,346)	65,017	(11,329)	535,281
NET ASSETS - BEGINNING	<u>1,693,112</u>	<u>106,925</u>	<u>1,800,037</u>	<u>1,264,756</u>
NET ASSETS - ENDING	<u>\$ 1,616,766</u>	<u>\$ 171,942</u>	<u>\$ 1,788,708</u>	<u>\$ 1,800,037</u>

The accompanying notes are an integral part of these financial statements.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**DECEMBER 31, 2010 AND 2009**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Totals</u>	
	<u>Program Services</u>	<u>Admin</u>	<u>Fundraising</u>		<u>2010</u>	<u>2009</u>
Salaries and wages	\$ 435,902	38,388	30,811	69,199	\$ 505,101	\$ 471,701
Payroll fringes	99,701	8,750	7,050	15,800	115,501	110,988
Total salaries and fringes	<u>535,603</u>	<u>47,138</u>	<u>37,861</u>	<u>84,999</u>	<u>620,602</u>	<u>582,689</u>
Dogs purchased	25,275	-	-	-	25,275	22,400
Vet, trainer & interpreters	28,053	-	-	-	28,053	54,519
Dog supplies	17,102	-	-	-	17,102	12,200
Accounting & legal	4,526	400	400	800	5,326	4,786
Consultants	2,005	-	28,372	28,372	30,377	54,079
Postage	17,130	185	1,000	1,185	18,315	19,965
Communications	6,545	365	365	730	7,275	7,167
Occupancy and interest	99,462	1,550	1,550	3,100	102,562	84,042
Office, insur, & supplies	29,401	1,550	3,100	4,650	34,051	21,286
Printing and Publications	24,222	-	1,275	1,275	25,497	20,504
Travel costs	15,235	-	800	800	16,035	24,461
Education	2,720	-	-	-	2,720	2,685
Promotion	2,722	-	2,720	2,720	5,442	4,416
Total exps before depreciation	<u>810,001</u>	<u>51,188</u>	<u>77,443</u>	<u>128,631</u>	<u>938,632</u>	<u>915,199</u>
Depreciation	<u>86,449</u>	<u>1,425</u>	<u>1,425</u>	<u>2,850</u>	<u>89,299</u>	<u>74,723</u>
Total expenses	<u>\$ 896,450</u>	<u>52,613</u>	<u>78,868</u>	<u>131,481</u>	<u>\$ 1,027,931</u>	<u>\$ 989,922</u>

The accompanying notes are an integral part of these financial statements.

HEARING AND SERVICE DOGS OF MINNESOTA  
 dba - Can Do Canines  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	(11,329)	535,281
Adjustments to reconciled net assets		
Depreciation	89,299	74,723
Changes in assets & liabilities:		
(increase) decrease in grants receivable	(65,017)	(29,202)
(increase) decrease in prepaids	(7,027)	(6,107)
increase (decrease) in accounts payable	(238,341)	238,123
increase (decrease) in accruals	49,307	36,058
<b>Net cash from operations</b>	<u>(183,108)</u>	<u>848,876</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equipment purchases	(15,989)	(17,518)
Building purchase	<u>(315,436)</u>	<u>(2,477,158)</u>
<b>Net cash provided in investing activities</b>	<u>(331,425)</u>	<u>(2,494,676)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt on building purchase	-	1,230,019
<b>NET INCREASE (DECREASE) IN CASH</b>	(514,533)	(415,781)
<b>CASH - BEGINNING</b>	<u>802,520</u>	<u>1,218,301</u>
<b>CASH - ENDING</b>	<u><u>287,987</u></u>	<u><u>802,520</u></u>

The accompanying notes are an integral part of these financial statements.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION AND PROGRAM SERVICES**

The organization was incorporated in 1987 and is dedicated to enhancing the quality of life for people with disabilities by creating mutually beneficial partnerships with specially trained dogs. Initially the Organization worked with all shelter dogs, and provided services for deaf clients. In 1995, they expanded programs to serve people with physical disabilities and in 2006, increased the service area to include Wisconsin, North and South Dakota, Iowa, Missouri, and Illinois.

In recent years, they added new services, providing assistance dogs to children with autism, people with type 1 diabetes complicated by hypoglycemia unawareness, people with seizure disorders, and, most recently, returning disabled veterans. At the end of 2009, they adopted a new name – Can Do Canines – to better reflect new and increased services. The programs have expanded to obtaining dogs from shelters, accepting donated puppies and dogs and breeding their own dogs. The dogs, professional training, interpreting, obedience instruction, medical care and other supplies are all provided to qualified applicants at no charge.

**BASIS OF ACCOUNTING**

The organization uses the accrual basis of accounting.

**REVENUE RECOGNITION**

The organization adopted Statement of Financial Accounting Standards ASC #958, Accounting for Contributions Received and Made. As such, contributions are recognized as revenue when they are received or unconditionally pledged. Unconditional pledges are recorded as income in the year in which verified evidence of the pledges is received. Pledges payable in future periods are considered time-restricted. These pledges are recorded as temporarily restricted receivables, at their present value, until they are paid.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets. When the restriction expires i.e. when a stipulated time ends or purpose is accomplished, the restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets.



**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

ESTIMATES

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

FINANCIAL STATEMENT PRESENTATION

The organization adopted Statement of Financial Accounting Standards No. 117, Financial Statements of Not-For-Profits Organizations. As such, all information regarding its financial position and activities are reported within three classes of net assets:

Unrestricted – Assets over which the board of directors has discretionary control

Temporally restricted – Assets subject to donor imposed restrictions in terms of time or purpose.

Permanently restricted – Assets subject to donor requirement are to be maintained permanently.

PROPERTY AND EQUIPMENT

Furniture and equipment is recorded at cost or fair market value at time of donation. Depreciations is computed using the straight-line method over estimated useful life of 3 to 10 years. The cost of maintenance is charged to income as incurred and significant improvements are capitalized. The building is depreciated over its estimated life of 31.5 years.

DONATED SERVICES AND MATERIALS

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that enhance non-financial assets are recorded at their fair value. The Organization received donations of 14 dogs in 2010 estimated at \$12,600. All dogs costs are expensed when received.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 – INCOME TAXES**

The organization is exempt from taxes under Internal Revenue Code Section 501 (c) (3). As such, all contributions to the organizations qualify as a charitable deduction by the donor.

**NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of programs and supporting services has been summarized on a functional basis. Salaries and related expenses are allocated to program and services based on the actual time spent on each program. The remaining expenses are specifically allocated whenever practical, and when this is impractical, are allocated on the best estimate of management.

**NOTE 4 – NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Assets were released from restriction in 2010 and 2009 in the amount of \$78,143 and \$37,413, respectfully.

**NOTE 5 – DONATED SERVICES AND PROPERTY**

The organization recorded in-kind contributions of \$53,095 and \$294,124 in 2010 and 2009, respectfully. These contributions are comprised of the following:

	<u>2010</u>	<u>2009</u>
Veterinarian services	7,581	21,512
Dogs & supplies	12,600	29,124
Equipment	25,130	5,088
Gift from seller of building		200,000
Non-specialized building services		<u>10,000</u>
	<u>53,095</u>	<u>294,124</u>

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

The organization receives significant amounts of donated services from substantial numbers of unpaid volunteers who assist in the program services of the organization.

**NOTE 6 – PENSION PLAN**

The organization has established a defined contribution plan covering all employees who have completed one year of service and have attained the age of 18 years. The contribution is discretionary and is determined each year by the board. For the years ended December 31, 2010 and 2009 organization contributions to the plan were \$11,126 and \$9,771, respectively.

**NOTE 7 – LONG TERM DEBT.**

Long term debt outstanding at December 31, 2010 is as follows:

	<u>2010</u>	<u>2009</u>
A \$1,230,019 contract for deed payable to building seller with interest of 5.0% per annum and is payable starting October 2010 in the amount of \$5,312 per month.		
Principal payment of \$50,000 is due at the Organization's discretion within the first five years. Full payment is due October 2020. Note is secured by the building.	\$1,230,019	\$1,230,019

*Kneisl & Associates, Ltd.*  
*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE**

To the Board of Directors

**HEARING AND SERVICE DOGS OF MINNESOTA**

We have audited the financial statements of **HEARING AND SERVICE DOGS OF MINNESOTA** as of and for the year ended December 31, 2010, and have issued our report thereon dated July 20, 2011.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the organization for the period ended December 31, 2010, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the organization is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and the transactions are executed in accordance with managements' authorization and recorded properly to permit the preparation of financial statements in accordance with the income tax basis. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material matters involving the internal control structure that we consider to be material weaknesses as defined above.

This report is intended for the information of the organization.

  
KNEISL & ASSOCIATES, LTD.  
July 20, 2010