

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba CAN DO CANINES**  
(A Non-Profit Corporation)

**Audited Financial Statements**  
Year ended December 31, 2011  
(With comparative totals for 2010)

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

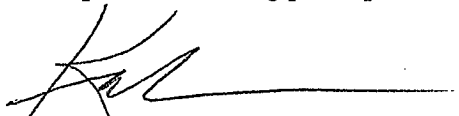
**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
HEARING AND SERVICE DOGS OF MINNESOTA  
dba CAN DO CANINES  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of **HEARING AND SERVICE DOGS OF MINNESOTA dba CAN DO CANINES** as of December 31, 2011 and 2010 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 dba CAN DO CANINES** as of December 31, 2011 and 2010 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  
September 15, 2012

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

Statement of Financial Position

Statement of Activities and Changes in Net Assets

Statement of Functional Expenses

Statement of Cash Flows

NOTES TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE

HEARING AND SERVICE DOGS OF MINNESOTA  
 dba - Can Do Canines  
 STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash - checking	\$ 279,542	\$ 112,356
Cash and investments	193,098	175,631
Pledges receivable	150,638	171,942
Prepays	<u>16,046</u>	<u>13,237</u>
Total current assets	639,324	473,166
<b>PROPERTY AND EQUIPMENT</b>		
Vehicles & equipment	93,905	93,905
Land and building	3,343,503	2,773,693
Less accumulated depreciation	<u>(286,371)</u>	<u>(199,410)</u>
	<u>3,151,037</u>	<u>2,668,188</u>
<b>TOTAL ASSETS</b>	<u><u>3,790,361</u></u>	<u><u>3,141,354</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	369,214	9,188
Accrued interest	80,881	83,125
Accrued expenses	<u>32,488</u>	<u>30,314</u>
Total current liabilities	482,583	122,627
Long term debt - less current maturities	1,230,019	1,230,019
<b>NET ASSETS</b>		
Unrestricted net assets	1,927,121	1,616,766
Temporarily restricted	150,638	171,942
Total net assets	<u>2,077,759</u>	<u>1,788,708</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,790,361</u></u>	<u><u>\$ 3,141,354</u></u>

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, 2011 AND 2010**

	2011			2010
	Unrestricted	Temporarily restricted	total	
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public support				
Individual & corporate	\$ 237,636	\$ 50,160	287,796	283,376
Service clubs donations	183,738	-	183,738	163,188
Foundations grants	524,145	-	524,145	282,001
Federated fundraisers	34,897	-	34,897	17,906
Special events - net	220,233	-	220,233	216,608
In-kind contributions	56,493	-	56,493	53,095
Total public support	<u>1,257,142</u>	<u>50,160</u>	<u>1,307,302</u>	<u>1,016,174</u>
Investment income (loss)	193	-	193	428
Net assets released from restrictions	<u>71,464</u>	<u>(71,464)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,328,799	(21,304)	1,307,495	1,016,602
<b>EXPENSES</b>				
Program expenses	907,037	-	907,037	896,450
Support services			-	
Management and general	53,248	-	53,248	52,613
Fundraising	58,159	-	58,159	78,868
Total support services	<u>111,407</u>	<u>-</u>	<u>111,407</u>	<u>131,481</u>
Total expenses	<u>1,018,444</u>	<u>-</u>	<u>1,018,444</u>	<u>1,027,931</u>
INCREASE IN NET ASSETS	310,355	(21,304)	289,051	(11,329)
NET ASSETS - BEGINNING	<u>1,616,766</u>	<u>171,942</u>	<u>1,788,708</u>	<u>1,800,037</u>
NET ASSETS - ENDING	<u>\$ 1,927,121</u>	<u>\$ 150,638</u>	<u>\$ 2,077,759</u>	<u>\$ 1,788,708</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, 2011 AND 2010**

	<u>Supporting Services</u>				<u>Totals</u>	
	<u>Program</u>	<u>Admin</u>	<u>Fundraising</u>	<u>Total</u>	<u>2011</u>	<u>2010</u>
	<u>Services</u>			<u>Supporting</u>	<u>2011</u>	<u>2010</u>
Salaries and wages	\$ 444,586	38,600	31,500	70,100	\$ 514,686	\$ 505,101
Payroll fringes	100,799	8,798	7,500	16,298	117,097	115,501
Total salaries and fringes	<u>545,385</u>	<u>47,398</u>	<u>39,000</u>	<u>86,398</u>	<u>631,783</u>	<u>620,602</u>
Dogs purchased	11,200	-	-	-	11,200	25,275
Vet, trainer & interpreters	47,286	-	-	-	47,286	28,053
Dog supplies	22,531	-	-	-	22,531	17,102
Accounting & legal	6,850	400	400	800	7,650	5,326
Consultants	8,553	-	6,562	6,562	15,115	30,377
Internet and phone	7,206	400	400	800	8,006	7,275
Occupancy & interest	77,770	1,650	1,650	3,300	81,070	102,562
Administrative & general office	46,874	2,000	3,000	5,000	51,874	52,366
Printing & publications	21,276	-	2,300	2,300	23,576	25,497
Travel & vehicle costs	23,843	-	1,000	1,000	24,843	16,035
Education	1,654	-	-	-	1,654	2,720
Promotion	2,448	-	2,447	2,447	4,895	5,442
Total exps before depreciation	<u>822,876</u>	<u>51,848</u>	<u>56,759</u>	<u>108,607</u>	<u>931,483</u>	<u>938,632</u>
Depreciation	84,161	1,400	1,400	2,800	86,961	89,299
Total expenses	<u>\$ 907,037</u>	<u>53,248</u>	<u>58,159</u>	<u>111,407</u>	<u>\$ 1,018,444</u>	<u>\$ 1,027,931</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	289,051	(11,329)
Adjustments to reconciled net assets		
Depreciation	86,961	89,299
Changes in assets & liabilities:		
(increase) decrease in grants receivable	21,304	(65,017)
(increase) decrease in prepaids	(2,809)	(7,027)
increase (decrease) in accounts payable	360,026	(238,341)
increase (decrease) in accruals	(70)	49,307
<b>Net cash from operations</b>	<u>754,463</u>	<u>(183,108)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equipment purchases	-	(15,989)
Building purchase	<u>(569,810)</u>	<u>(315,436)</u>
<b>Net cash provided in investing activities</b>	<u>(569,810)</u>	<u>(331,425)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Debt on building purchase	-	
<b>NET INCREASE (DECREASE) IN CASH</b>	184,653	(514,533)
<b>CASH - BEGINNING</b>	<u>287,987</u>	<u>802,520</u>
<b>CASH - ENDING</b>	<u><u>472,640</u></u>	<u><u>287,987</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, 2011 and 2010**

**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**

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.

**PLEDGES RECEIVABLE**

Receivables consist mainly of amounts due for pledges made. No allowance for doubtful accounts has been provided. Receivables are written off directly after they are considered uncollectable.



**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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. Depreciation is computed using the straight-line method over estimated useful life of 3 to 10 years. The cost of maintenance is expensed 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 8 dogs in 2011 estimated at \$ 11,200 and received donations of 14 dogs in 2010 estimated at \$12,600. All dog costs are expensed when received.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

**CONCENTRATIONS**

The Organization maintains its cash in interest and non-interest bearing accounts at financial institutions and at various times the balance may exceed the federal deposit insurance amount. There is a significant donor who accounts for 20% of the support earned during the year due to donations on a lead capital campaign gift. One vendor accounts for over 90% of the accounts payable at December 31, 2011. This debt is owed to the general contractor responsible for building improvements.

**SUBSEQUENT EVENTS**

The Organization was evaluated for material subsequent events through September 1, 2012, the date the financial statements were issued.

**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 2011 and 2010 in the amount of \$71,464 and \$78,143, respectfully.

**HEARING AND SERVICE DOGS OF MINNESOTA**  
**dba - Can Do Canines**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011 and 2010**

**NOTE 5 – DONATED SERVICES AND PROPERTY**

The organization recorded in-kind contributions of \$56,493 and \$53,095 in 2011 and 2010, respectfully. These contributions are comprised of the following:

	<u>2011</u>	<u>2010</u>
Veterinarian services	30,058	7,581
Dogs & supplies	23,935	12,600
Equipment	2,500	25,130
	<u>\$ 56,493</u>	<u>\$53,095</u>

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 full-time 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, 2011 and 2010 organization contributions to the plan were \$11,625 and \$11,126, respectively.

**NOTE 7 – LONG TERM DEBT**

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

	<u>2011</u>	<u>2010</u>
A \$1,230,019 contract for deed initiated June 2009. 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**  
**dba CAN DO CANINES**

We have audited the financial statements of **HEARING AND SERVICE DOGS OF MINNESOTA dba CAN DO CANINES** as of and for the year ended December 31, 2011, and have issued our report thereon dated September 15, 2012.

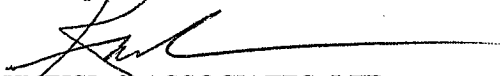
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the organization for the period ended December 31, 2011, 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.  
September 15, 2012