

CAN DO CANINES
(A Non-Profit Corporation)

Audited Financial Statements
Year ended December 31, 2015
(With comparative totals for 2014)

Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
CAN DO CANINES
Minneapolis, Minnesota

We have audited the accompanying financial statements of **CAN DO CANINES** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014 and related statements of activities 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

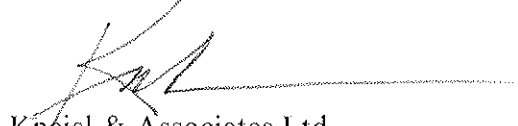
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 **CAN DO CANINES** as of December 31, 2015 and 2014, 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 State of America.

A handwritten signature in dark ink, appearing to be 'Kneisl', is written over a horizontal dotted line.

Kneisl & Associates Ltd

Forest Lake, MN
July 7, 2016

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CAN DO CANINES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 991,508	\$ 888,248
Pledges receivable	341,376	375,965
Prepays & inventory	9,120	9,408
Total current assets	<u>1,342,004</u>	<u>1,273,621</u>
Pledges receivable- long term	152,366	405,331
PROPERTY AND EQUIPMENT		
Vehicles & equipment	153,092	121,347
Land and building	3,450,365	3,450,452
Less accumulated depreciation	<u>(638,981)</u>	<u>(549,429)</u>
	<u>2,964,476</u>	<u>3,022,370</u>
TOTAL ASSETS	<u><u>4,458,846</u></u>	<u><u>4,701,322</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of ltd	276,729	275,000
Accounts payable - trade	36,910	42,870
Deferred earned income	28,750	-
Accrued expenses	<u>38,526</u>	<u>31,479</u>
Total current liabilities	380,915	349,349
Long term debt	-	276,729
NET ASSETS		
Unrestricted net assets	3,584,191	3,293,848
Temporarily restricted	493,740	781,396
Total net assets	<u>4,077,931</u>	<u>4,075,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,458,846</u></u>	<u><u>\$ 4,701,322</u></u>

the accompanying footnotes are an integral part of these financial statements

CAN DO CANINES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily restricted	total	
PUBLIC SUPPORT AND REVENUE				
Public support				
Individual & corporate	\$ 268,769	\$ 238,467	\$ 507,236	625,006
Service clubs donations	170,272	-	170,272	163,222
Foundations grants	256,490	60,000	316,490	349,832
Federated fundraisers	66,992		66,992	51,789
Earned income - net	29,553		29,553	-
Special events - net	244,516	-	244,516	228,109
In-kind contributions	123,858	-	123,858	99,134
Total public support	<u>1,160,450</u>	<u>298,467</u>	<u>1,458,917</u>	<u>1,517,092</u>
Investment income (loss)	(202)	-	(202)	(1,208)
Net assets released from restrictions	<u>586,123</u>	<u>(586,123)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,746,371	(287,656)	1,458,715	1,515,884
EXPENSES				
Program expenses	1,235,479	-	1,235,479	1,080,582
Support services				
Management and general	74,738	-	74,738	89,883
Fundraising	145,811	-	145,811	112,465
Total support services	<u>220,549</u>	<u>-</u>	<u>220,549</u>	<u>202,348</u>
Total expenses	<u>1,456,028</u>	<u>-</u>	<u>1,456,028</u>	<u>1,282,930</u>
INCREASE IN NET ASSETS	290,343	(287,656)	2,687	232,954
NET ASSETS - BEGINNING	<u>3,293,848</u>	<u>781,396</u>	<u>4,075,244</u>	<u>3,842,290</u>
NET ASSETS - ENDING	<u>\$ 3,584,191</u>	<u>\$ 493,740</u>	<u>\$ 4,077,931</u>	<u>\$ 4,075,244</u>

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

CAN DO CANINES
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2015 AND 2014

	Supporting Services			Total Supporting Services	Totals	
	Program Services	Admin	Fundraising		2015	2014
Salaries and wages	682,391	48,169	72,253	120,422	\$ 802,813	\$ 655,009
Payroll fringes	149,977	10,587	15,880	26,466	176,443	164,080
Total salaries and fringes	<u>832,368</u>	<u>58,755</u>	<u>88,133</u>	<u>146,888</u>	<u>979,256</u>	<u>819,089</u>
					-	
Dog acquisitions	24,150	-	-	-	24,150	16,600
Vet, trainers & interpreters	56,428	-	-	-	56,428	53,274
Dog supplies	65,032	-	-	-	65,032	42,918
Accounting & legal	4,755	500	500	1,000	5,755	5,593
Consultants	-	-	15,888	15,888	15,888	15,655
Internet and phone	7,978	563	845	1,408	9,386	8,794
Occupancy	39,808	2,810	4,215	7,025	46,833	48,565
Interest	13,406	946	1,419	2,366	15,772	33,118
Administrative & general office	55,903	3,946	5,919	9,865	65,768	51,876
Printing & publications	36,206	-	15,500	15,500	51,706	59,300
Travel & vehicle costs	19,041	1,344	2,016	3,360	22,401	18,242
Education	4,284	500	500	1,000	5,284	9,268
Promotion	-	-	2,816	2,816	2,816	13,700
					-	
Total exps before depreciation	<u>1,159,359</u>	<u>69,365</u>	<u>137,751</u>	<u>207,116</u>	<u>1,366,475</u>	<u>1,195,992</u>
					-	
Depreciation	<u>76,120</u>	<u>5,373</u>	<u>8,060</u>	<u>13,433</u>	<u>89,553</u>	<u>86,938</u>
					-	
Total expenses	<u>\$ 1,235,479</u>	<u>74,738</u>	<u>145,811</u>	<u>220,549</u>	<u>\$ 1,456,028</u>	<u>\$ 1,282,930</u>

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

CAN DO CANINES
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,687	\$ 232,954
Adjustments to reconciled net assets		
Depreciation	89,553	86,938
Changes in assets & liabilities:		
(increase) decrease in grants receivable	287,554	336,076
(increase) decrease in inventory	287	3,180
increase (decrease) in accounts payable	(5,960)	24,320
increase (decrease) in accruals	35,797	(17,121)
Net cash from operations	<u>409,918</u>	<u>666,347</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(31,658)	-
	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>(31,658)</u>	<u>-</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Debt on building	<u>(275,000)</u>	<u>(360,000)</u>
 NET INCREASE (DECREASE) IN CASH	103,260	306,347
CASH - BEGINNING	<u>888,248</u>	<u>581,901</u>
CASH - ENDING	<u><u>\$ 991,508</u></u>	<u><u>\$ 888,248</u></u>

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

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 and people with seizure disorders. At the end of 2009 they adopted a new name—Can Do Canines—to better reflect the increased services and expanded service area.

The programs have expanded to obtaining dogs from shelters, accepting donated puppies and dogs, breeding their own dogs and participating in an international breeding cooperative comprised of similar assistance dog organizations. Puppies continue to be raised by volunteer puppy raisers and now are also raised and trained in four prisons across Minnesota.

The dogs, professional training, interpreting, obedience instruction, medical care and other supplies are provided to qualified applicants at no charge.

In 2009, the organization acquired a four-acre property in New Hope Minnesota, began rehabilitation of the existing structure, created office, meeting and training space to accommodate more than 30 employees and added kennel facilities with a maximum capacity of 50 dogs. The fully accessible 20,000 square foot facility was occupied in 2010 and rehabilitation was completed in 2013. Contributions and pledges will combine to eliminate the contract of deed debt by 2017.

BASIS OF ACCOUNTING

The organization uses the accrual basis of accounting.

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.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

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.

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

Temporarily 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 expensed as incurred and significant improvements are capitalized. The building is depreciated over its estimated life of 31.5 years.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

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 15 dogs in 2015 estimated at \$24,150 and received donations of 19 dogs in 2014 estimated at \$16,600. All dog costs are expensed when received.

CONCENTRATIONS

The Organization maintains its cash in interest bearing accounts at a financial institution and at various times the balance may exceed the federal deposit insurance amount.

There are no significant donors in 2015 or 2014. The largest contributor in 2014 comprised 5% of total support.

SUBSEQUENT EVENTS

The Organization was evaluated for material subsequent events through July 1, 2016, 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 2015 and 2014 in the amount of \$586,123 and \$616,324 respectfully.

Can Do Canines
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 5 – DONATED SERVICES AND PROPERTY

The organization recorded in-kind contributions of \$ 123,858 and \$99,134 in 2015 and 2014, respectfully. These contributions are comprised of the following:

	<u>2015</u>	<u>2014</u>
Veterinarian services	19,039	19,034
Dogs & supplies	46,203	27,200
Equipment & vehicles	1,000	-
Office supplies & other	18,953	12,700
Prizes	<u>38,663</u>	<u>40,300</u>
	<u>\$123,858</u>	<u>\$99,134</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, 2015 and 2014 organization contributions to the plan were \$ 14,940 and \$16,290 respectively.

NOTE 7 – LONG TERM DEBT

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

	<u>2015</u>	<u>2014</u>
A \$1,230,019 contract for deed initiated June 2009 payable to building seller with interest only payments of 5.0% per annum through June 2015 and 6% then after. Note was paid in full in 2016. Note is secured by the building and Includes accrued interest	\$ 276, 729	\$551,729

Kneisl & Associates, Ltd.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

To the Board of Directors

CAN DO CANINES

We have audited the financial statements of **CAN DO CANINES** as of and for the year ended December 31, 2015, and have issued our report thereon dated July 7, 2016.

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, 2015, 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 7, 2016