
**SUPPORT DOGS, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

SUPPORT DOGS, INC. AND SUBSIDIARY

JUNE 30, 2017

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Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road
Suite 201
St. Louis, MO
63141

314.812-1100
f.314.812-1199

kieferbonfanti.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Support Dogs, Inc. and Subsidiary
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of **Support Dogs, Inc. and Subsidiary** (a not-for-profit corporation), which comprise the consolidated statements of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to

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provide a basis for our opinion.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Support Dogs, Inc. and Subsidiary** as of June 30, 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Support Dogs, Inc., and Subsidiary's consolidated financial statements for the year ended June 30, 2016, and our report dated January 3, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 12, 2017

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2016)**

Assets	June 30,	
	2017	2016
Current Assets		
Cash and cash equivalents	\$ 651,386	\$ 494,174
Contributions receivable		
United Way of Greater St. Louis	79,512	79,514
Pledges receivable	334,500	343,367
Other receivables		
Accounts receivable	8,790	-
Prepaid expenses	17,679	15,030
Accrued interest	423	530
Total Current Assets	1,092,290	932,615
Contributions Receivable - Long-Term, Net of Discounts		
	385,485	675,247
Property and Equipment, Net	4,344,663	4,406,967
Loan Fees, Net	3,092	11,539
Deposits	-	8,795
Investments	445,076	338,576
Total Assets	\$ 6,270,606	\$ 6,373,739
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 14,743	\$ -
Accounts payable	15,156	18,763
Line of credit	-	747,568
Accrued expenses	29,189	19,465
Deferred revenue	7,810	3,175
Total Current Liabilities	66,898	788,971
Other Liabilities		
Long-term debt, net of current maturities	433,749	-
Total Liabilities	500,647	788,971
Net Assets		
Unrestricted		
Undesignated	4,562,915	2,567,645
Board designated - operating reserve	230,000	230,000
Temporarily restricted	827,044	2,637,123
Permanently restricted	150,000	150,000
Total Net Assets	5,769,959	5,584,768
Total Liabilities and Net Assets	\$ 6,270,606	\$ 6,373,739

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2016
Support, Revenue and Gains					
Contributions					
General, grants, and government contracts	\$ 578,742	\$ 78,675	\$ -	\$ 657,417	\$ 410,096
Capital campaign	(25,812)	43,050	-	17,238	1,057,637
United Way of Greater St. Louis	5,207	159,027	-	164,234	160,463
Program service fees	25,673	-	-	25,673	10,347
Obedience revenues	71,445	-	-	71,445	52,979
Special events, net of direct expenses of \$71,548	211,582	-	-	211,582	189,285
In-kind contributions	79,895	-	-	79,895	18,324
Loss on disposition of assets	(2,403)	-	-	(2,403)	(24,268)
Realized gains (losses)	(752)	-	-	(752)	28,865
Unrealized gains (losses)	34,128	-	-	34,128	(63,823)
Other revenue	2,725	-	-	2,725	7,957
Interest and dividends	7,771	-	-	7,771	26,440
	988,201	280,752	-	1,268,953	1,874,302
Net assets released from restrictions	2,090,831	(2,090,831)	-	-	-
Total Support, Revenue and Gains	3,079,032	(1,810,079)	-	1,268,953	1,874,302
Expenses					
Program Services					
Assistance dog program	641,038	-	-	641,038	579,405
TOUCH program	73,306	-	-	73,306	65,641
PAWS for Reading program	45,312	-	-	45,312	42,628
Outreach program	68,019	-	-	68,019	59,490
Total Program Services	827,675	-	-	827,675	747,164
Supporting Services					
General and administrative	188,527	-	-	188,527	140,399
Obedience expenses	50,503	-	-	50,503	43,962
Fundraising	17,057	-	-	17,057	40,924
Total Supporting Services	256,087	-	-	256,087	225,285
Total Expenses	1,083,762	-	-	1,083,762	972,449
Change in Net Assets	1,995,270	(1,810,079)	-	185,191	901,853
Net Assets, Beginning of Year	2,797,645	2,637,123	150,000	5,584,768	4,682,915
Net Assets, End of Year	\$ 4,792,915	\$ 827,044	\$ 150,000	\$ 5,769,959	\$ 5,584,768

SUPPORT DOGS, INC. AND SUBSIDIARY

SUPPORT DOGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2016)

	Program Services					Supporting Services					2016
	Assistance Dog Program	TOUCH Program	PAWS for Reading Program	Outreach Program	Total Program Services	Mgmt. and General	Fundraising		Total Supporting Services	Total	
							Obedience Classes	Other			
Salaries and wages	\$ 260,297	\$ 41,855	\$ 18,821	\$ 37,494	\$ 358,467	\$ 142,625	\$ 34,295	\$ 6,793	\$ 183,713	\$ 542,180	\$ 415,369
Payroll taxes	19,832	3,189	1,434	2,857	27,312	10,866	2,613	518	13,997	41,309	40,254
Other employee benefits	22,797	3,666	1,648	3,284	31,395	12,491	3,004	595	16,090	47,486	51,333
Assistance dog acquisitions	-	-	-	-	-	-	-	-	-	-	62
Bank and credit card charges, and investment fees	6,950	1,118	503	1,001	9,572	7,292	916	181	8,389	17,961	15,233
Interest expense	11,344	1,282	803	1,205	14,634	3,290	899	306	4,495	19,129	5,802
Data processing - payroll	1,059	170	77	153	1,459	581	140	28	749	2,208	2,049
Depreciation and amortization	90,750	5,855	5,855	5,855	108,315	2,927	2,927	2,927	8,781	117,096	54,485
Dues and subscriptions	5,013	323	323	323	5,982	162	162	162	486	6,468	3,097
Information technology	4,419	285	285	285	5,274	143	143	143	429	5,703	18,305
Insurance	5,082	328	328	328	6,066	164	164	164	492	6,558	2,622
Meetings and in-house events	4,539	293	293	293	5,418	146	146	146	438	5,856	11,795
Occupancy	48,053	3,100	3,100	3,100	57,353	1,550	1,550	1,550	4,650	62,003	80,257
Office supplies	10,643	686	686	686	12,701	343	343	343	1,028	13,729	10,342
Other	28,390	1,832	1,832	1,831	33,885	917	917	916	2,750	36,635	29,859
Postage	3,298	213	213	213	3,937	106	106	106	318	4,255	5,675
Printing and copying	6,059	391	391	391	7,232	195	195	195	585	7,817	6,325
Professional fees	61,510	3,968	3,968	3,968	73,414	1,984	1,984	1,984	5,952	79,366	178,766
Program supplies	25,445	2,827	2,827	2,827	33,926	-	-	-	-	33,926	22,118
Staff development	2,692	299	299	299	3,589	-	-	-	-	3,589	711
Telephone	2,282	254	254	254	3,044	-	-	-	-	3,044	3,226
Travel and mileage reimbursement	12,711	847	847	847	15,252	1,695	-	-	1,695	16,947	11,152
Volunteer appreciation	7,873	525	525	525	9,448	1,050	-	-	1,050	10,498	3,612
Total	\$ 641,038	\$ 73,306	\$ 45,312	\$ 68,019	\$ 827,675	\$ 188,527	\$ 50,503	\$ 17,057	\$ 256,087	\$ 1,083,762	\$ 972,449
	59.1%	6.8%	4.2%	6.3%	76.4%	17.4%	4.7%	1.6%	23.6%	100.0%	

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2016)**

	June 30,	
	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	\$ 185,191	\$ 901,853
Adjustments		
In-kind contributions	(68,809)	(18,324)
Depreciation and amortization	117,096	54,485
Unrealized (gains) losses on investments	(34,128)	63,823
Loss on disposition of assets	2,403	24,268
Contributions restricted for capital campaign	(43,050)	(1,002,500)
(Increase) decrease in operating assets		
Contributions receivable		
United Way of Greater St. Louis	2	(6,504)
Pledges receivable	(15,000)	-
Grants receivable	-	3,239
Accounts receivable	(8,790)	5,262
Prepaid expenses	(2,649)	(2,948)
Deposits	8,795	19,305
Accrued interest	107	-
Increase (decrease) in operating liabilities		
Accounts payable	(3,607)	(607,515)
Accrued expenses	9,724	(11,226)
Deferred revenue	4,635	(4,999)
Net Cash Provided (Used) by Operating Activities	151,920	(581,781)
Cash Flows from Investing Activities		
Purchase of property and equipment	(45,631)	(2,664,212)
Net sales (purchases) of investments	(3,562)	201,547
Net Cash Used by Investing Activities	(49,193)	(2,462,665)
Cash Flows from Financing Activities		
Cash received from capital campaign contributions	356,679	436,010
Net proceeds on line of credit	-	747,568
Principal payments on line of credit	(747,568)	-
Loan fees from issuance of long-term debt	(3,118)	-
Net proceeds from long-term debt	450,000	-
Principal payments on long-term debt	(1,508)	-
Net Cash Provided by Financing Activities	54,485	1,183,578
Net Increase (Decrease) in Cash and Cash Equivalents	157,212	(1,860,868)
Cash and cash equivalents, beginning of year	494,174	2,355,042
Cash and Cash Equivalents, End of Year	\$ 651,386	\$ 494,174
Supplemental Disclosure		
Cash paid for interest	\$ 19,129	\$ 5,802

SUPPORT DOGS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description and Principles of Consolidation

Support Dogs, Inc. (SDI), a not-for-profit corporation, was founded to help people with special needs achieve an improved quality of life through the use of assistance dogs. Through the services of a specially trained dog, coupled with a comprehensive educational program in the use of such a dog, the disabled person can achieve a more independent life style and thus develop a better sense of self-worth and competency. **SDI** also provides pet-assisted therapy, through the TOUCH Program, and educational programs, including the PAWS For Reading Program, to thousands of individuals in the St. Louis Metropolitan area.

Stormy Maze Holdings, LLC (**SMH**), is a wholly-owned subsidiary of **SDI**. **SMH** owns the office and training facility used by **SDI**.

The accompanying financial statements at June 30, 2017 and the summarized comparative information at June 30, 2016, and for the years then ended consolidate the financial positions, activities, and cash flows of **SDI** and **SMH** (collectively, the Organization). All intercompany transactions have been eliminated in the consolidations.

Basis of Accounting

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

Comparative Consolidated Totals

The consolidated financial statements include certain prior year summarized comparative consolidated information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2016, from which the summarized consolidated information was derived.

Financial Statement Presentation

The Organization reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

Unrestricted Net Assets

Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with a donor's stipulation that limits the use of the donated assets. When a donor's restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets.

Estimates

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

Description of Program Service and Supporting Activities

Program Services

Assistance Dog Program

SDI trains a variety of assistance dogs to meet several segments of the population.

Service Dogs - Dogs trained to complete mobility-related tasks for someone with a physical disability.

Facility Dogs - Dogs trained and placed with an individual who is an employee of a facility that works with "at risk" populations.

Hearing Dogs - Dogs trained and placed with someone who is deaf or hard of hearing.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program Service and Supporting Activities (Continued)

Program Services (Continued)

Assistance Dog Program (Continued)

Courthouse Facility Dogs - Dogs are placed with individuals who work with children and adults who have been mentally, physically, and/or sexually abused. The dogs are used as part of the forensic interview process to help gather information from the victim. If necessary, the dog will accompany the victim to court if testimony is needed.

TOUCH Program

SDI provides certification to volunteers and their own dogs to visit facilities in which the patients or residents can benefit from a visit with a well-trained canine.

PAWS for Reading Program

SDI places dogs in a classroom or library setting in the St. Louis Metropolitan area. The dogs act as an incentive for the children to read more and to read better.

Outreach Program

Part of the mission of **SDI** is to educate the community about assistance dogs and the programs offered.

Supporting Activities

Management and General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, and manage the financial and budgetary responsibilities of the Organization.

Fundraising Activities

Provide the structure necessary to encourage and secure private financial support from corporations, foundations and individuals, in the form of gifts as well as support of fundraising events and capital campaigns.

Risks and Uncertainties

Financial instruments that potentially subject the Organization to credit and market risk consist principally of cash, receivables and investments.

The Organization places all cash and cash equivalents and investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. **SDI's** cash deposits in financial institutions are insured by FDIC insurance, which is subject to certain limitations and conditions.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties (Continued)

SDI also has a significant amount of investments in marketable securities that are, therefore, subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables.

Cash and Cash Equivalents

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

Contributions Receivable

Unconditional promises to give (contributions receivable) in future periods are recognized as support in the period the promises are received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost. Contributed property and equipment are recorded at fair value at the date of donation. Major renewals and betterments are capitalized to the property accounts while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. Leasehold improvements are amortized using the straight-line method over the remaining terms of the leases.

Valuation of Investments and Income Recognition

SDI's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. **SDI** presents, in the statement of activities, net investment income, which consists of the dividend and interest income (net of investment fees), realized gains (losses) and unrealized appreciation (depreciation) on those investments.

Deferred Revenue

Deferred revenue represents registration fees received for a fundraising event to be held in the subsequent year and obedience class fees received for classes to be held in the subsequent year. The revenue will be recognized as the fundraising event takes place, and the classes are held.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Consumables and Services

Contributed services and materials are recorded at the estimated fair value if they enhance the Organization's non-financial assets, or are specialized skills that the Organization would normally purchase if not provided by donation. During the years ended June 30, 2017 and 2016, volunteers donated approximately 811,623 and 387,067 hours respectively, to the Organization's program services and its fundraising which did not meet the accounting standards to record as contributions, and, thus, are not reflected in the accompanying financial statements. The Organization considers the Volunteer Puppy Raisers to donate every hour of every day for the entire year caring for our assistance dogs in training, alleviating the Organization from finding alternative cost options for the puppies

Functional Expenses

The costs of **SDI's** programs and supporting services have been reported on a functional basis. Expenses that can be identified with a specific program and supporting services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on estimates made by management.

Advertising Costs

SDI uses advertising to promote its programs among the audience it serves. Advertising costs are expensed as incurred.

Income Tax Status

Support Dogs, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization's Returns of Organization Exempt from Income Tax (Form 990s) are subject to examination by the IRS for the statutory period. Stormy Maze Holdings, LLC is a disregarded entity for tax purposes and therefore, assumes the tax status of **SDI**.

Subsequent Events

The Organization has evaluated subsequent events through October 12, 2017, the date which the financial statements were available to be issued, for possible recognition or disclosure.

2. CONCENTRATIONS OF CASH AND CREDIT RISK

The Organization places all of its temporary cash investments with major financial institutions and, by policy, attempts to limit the amount of credit exposure at any one financial institution. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 under the FDIC's general deposit insurance rules. At June 30, 2017 and 2016, cash balances exceeded the FDIC limits by \$163,091 and \$225,617, respectively.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

3. CONTRIBUTIONS RECEIVABLE

At June 30, 2017, contributions receivable are expected to be collected in the following periods:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 414,012
2019	200,000
2020	200,000
	<u>814,012</u>
Less discounts to net present value	<u>(14,515)</u>
Contributions Receivable, Net of Discounts	\$ 799,497

A discount rate of 2.5% was used to record contributions receivable at the present value of the future cash flows at June 30, 2017.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 699,369	\$ 699,369
Building	3,698,835	3,690,040
Building improvements	26,226	-
Training equipment	17,137	17,137
Office furniture and fixtures	86,528	80,724
Property and equipment at cost	<u>4,528,095</u>	4,487,270
Less accumulated depreciation	<u>(183,432)</u>	(80,303)
Property and Equipment, Net	\$ 4,344,663	\$ 4,406,967

During the year ended June 30, 2016 the Organization placed a newly constructed building into service.

Depreciation expense was \$117,096 and \$54,485 for the years ended June 30, 2017 and 2016, respectively.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under the standards are described as follows:

Level 1

Valuations based on unadjusted quoted prices available for identical assets in active markets that the Organization has the ability to access.

Level 2

Valuations based on quoted prices in markets which are not active, or for which all significant inputs are observable, either directly or indirectly, or derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are significant, unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2017 and 2016.

Mutual funds - Valued at the net asset value of shares held by the Organization at year end.

Corporate bonds – Valued at quoted prices in active markets in which the individual security is traded. When quoted prices are not available, fair value is determined using a valuation model.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value as of June 30, 2017 and 2016:

Description	Total	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
June 30, 2017				
Mutual funds	\$ 293,972	\$ 293,972	\$ -	\$ -
Corporate bonds	151,104	151,104	-	-
Total	\$ 445,076	\$ 445,076	\$ -	\$ -
June 30, 2016				
Mutual funds	\$ 190,786	\$ 190,786	\$ -	\$ -
Corporate bonds	147,790	147,790	-	-
Total	\$ 338,576	\$ 338,576	\$ -	\$ -

6. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30,	
	2017	2016
Note payable to bank dated April 7, 2017 with a 4.1% interest rate. Monthly payments of principal and interest of \$2,738 based on a 6 year amortization. Balloon payment of \$371,299 due April 1, 2022. Secured by real estate.	\$ 448,492	\$ -
Total Long-Term Debt	448,492	-
Less Current Maturities	(14,743)	-
Long-Term Debt, Net of Current Maturities	\$ 433,749	\$ -

During the year, **SDI** refinanced their construction line of credit as a commercial loan with a bank.

Total interest expense on the long-term debt was \$19,130 for the year ended June 30, 2017. Total interest expense on the line of credit was \$5,803 for the year ended June 30, 2016.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

6. LONG-TERM DEBT (CONTINUED)

Future minimum payments on the note payable are as follows:

Year Ending June 30,	Amount
2018	\$ 14,743
2019	15,359
2020	16,000
2021	16,669
2022	385,721
Total	\$ 448,492

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted as follows:

	June 30,	
	2017	2016
Time restrictions	\$ 79,512	\$ 79,513
Purpose restrictions	747,532	2,557,610
Total	\$ 827,044	\$ 2,637,123

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

	Years Ended June 30,	
	2017	2016
Time restrictions met	\$ 159,029	\$ 154,963
Purpose restrictions met	1,931,802	479,285
Total	\$ 2,090,831	\$ 634,248

8. DISCLOSURES OF ENDOWMENT FUND

In 2013, **SDI** received a \$150,000 restricted endowment established to provide funding for TOUCH therapy dog teams. Endowment net asset composition is as follows:

Year ended	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017	\$ -	\$ -	\$ 150,000	\$150,000

There were no changes in endowment net assets for the year ended June 30,

2017.

8. DISCLOSURES OF ENDOWMENT FUND (CONTINUED)

Interpretation of Relevant Law

The Board of Directors of **SDI** has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, **SDI** classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, **SDI** considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that reflects a combination of return-seeking assets and risk-mitigating assets to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of distributing gains to the extent the then-current market value of the fund principal exceeds the historical dollar value of the gift less any distributions of principal allowed under the terms of the gift, unless otherwise specified by the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to grow over the long-term. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new contributions and investment return.

SUPPORT DOGS, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements (Continued)

9. CONTRIBUTED SERVICES, MATERIALS, AND EQUIPMENT

Significant qualifying services, materials and equipment are contributed to the Organization annually and are recorded at fair value upon receipt. For the years ended June 30, 2017 and 2016, the Organization recognized in-kind support as follows:

	<u>Years Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
Other professional services	\$ 238	\$ -
Supplies and merchandise	4,509	1,447
Equipment	6,339	-
Total	\$ 11,086	\$ 1,447

For the years ended June 30, 2017 and 2016, the Organization received donations of stock valued at \$68,810 and \$16,877, respectively.

10. RECLASSIFICATIONS

Certain amounts in the prior year consolidated totals have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

SUPPLEMENTARY INFORMATION



Kiefer | Bonfanti & Co. LLP
Certified Public Accountants & Business Advisors

701 Emerson Road
Suite 201
St. Louis, MO
63141

314.812-1100
f.314.812-1199

kiefersonfanti.com

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Support Dogs, Inc. and Subsidiary
St. Louis, Missouri

We have audited the financial statements of **Support Dogs, Inc. and Subsidiary** as of and for the year ended June 30, 2017, and have issued our report thereon dated October 12, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position and Consolidating Statement of Activities are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kiefer Bonfanti & Co. LLP

St. Louis, Missouri
October 12, 2017

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

	Assets			
	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 651,386	\$ -	\$ -	\$ 651,386
Contributions receivable				
United Way of Greater St. Louis	79,512	-	-	79,512
Pledges receivable	334,500	-	-	334,500
Other receivables				
Accounts receivable	8,790	-	-	8,790
Due from Stormy Maze Holdings, LLC	3,991,540	-	(3,991,540)	-
Prepaid expenses	17,679	-	-	17,679
Accrued interest	423	-	-	423
Total Current Assets	5,083,830	-	(3,991,540)	1,092,290
Contributions Receivable - Long-Term, Net of Discounts				
	385,485	-	-	385,485
Property and Equipment, Net	88,721	4,255,942	-	4,344,663
Loan Fees, Net	-	3,092	-	3,092
Investments	445,076	-	-	445,076
Total Assets	\$ 6,003,112	\$ 4,259,034	\$ (3,991,540)	\$ 6,270,606

Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ -	\$ 14,743	\$ -	\$ 14,743
Accounts payable	15,156	-	-	15,156
Accrued expenses	29,189	-	-	29,189
Deferred revenue	7,810	-	-	7,810
Due to Support Dogs, Inc.	-	3,991,540	(3,991,540)	-
Total Current Liabilities	52,155	4,006,283	(3,991,540)	66,898
Other Liabilities				
Long-term debt, net of current maturities	-	433,749	-	433,749
Total Liabilities	52,155	4,440,032	(3,991,540)	500,647
Net Assets				
Unrestricted				
Undesignated	4,743,913	(180,998)	-	4,562,915
Board designated - operating reserve	230,000	-	-	230,000
Temporarily restricted	827,044	-	-	827,044
Permanently restricted	150,000	-	-	150,000
Total Net Assets	5,950,957	(180,998)	-	5,769,959
Total Liabilities and Net Assets	\$ 6,003,112	\$ 4,259,034	\$ (3,991,540)	\$ 6,270,606

**SUPPORT DOGS, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Totals
Support, Revenue and Gains			
Contributions			
General, grants, and government contracts	\$ 657,417	\$ -	\$ 657,417
Capital campaign	17,238	-	17,238
United Way of Greater St. Louis	164,234	-	164,234
Program service fees	25,673	-	25,673
Obedience revenues	71,445	-	71,445
Special events, net of direct expenses of \$71,548	211,582	-	211,582
In-kind contributions	79,895	-	79,895
Loss on disposition of assets	(2,403)	-	(2,403)
Realized loss	(752)	-	(752)
Unrealized gain	34,128	-	34,128
Other revenue	2,725	-	2,725
Interest and dividends	7,771	-	7,771
Total Support, Revenue and Gains	1,268,953	-	1,268,953
Expenses			
Program Services			
Assistance dog program	641,038	-	641,038
TOUCH program	73,306	-	73,306
PAWS for Reading program	45,312	-	45,312
Outreach program	68,019	-	68,019
Total Program Services	827,675	-	827,675
Supporting Services			
General and administrative	62,706	125,820	188,527
Obedience expenses	50,503	-	50,503
Fundraising	17,057	-	17,057
Total Supporting Services	130,268	125,820	256,087
Total Expenses	957,943	125,820	1,083,762
Change in Net Assets	311,010	(125,820)	185,191
Net Assets, Beginning of Year	5,639,947	(55,179)	5,584,768
Net Assets, End of Year	\$ 5,950,957	\$ (180,998)	\$ 5,769,959