
**SUPPORT DOGS, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

SUPPORT DOGS, INC. AND SUBSIDIARY

JUNE 30, 2014

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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, 2014, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 2014, 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, 2013, and our report dated October 28, 2013, 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, 2013, 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
September 26, 2014

SUPPORT DOGS, INC. AND SUBSIDIARY

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2013)**

	Assets	
	June 30,	
	2014	2013
Current Assets		
Cash and cash equivalents	\$ 1,861,086	\$ 1,032,613
Contributions receivable		
United Way of Greater St. Louis Inc. receivable	75,246	72,744
Pledges receivable	164,428	237,543
Other receivables		
Grants receivable	3,586	23,382
Accounts receivable	5,512	4,408
Prepaid expenses	10,926	10,988
Accrued interest	642	-
Total Current Assets	2,121,426	1,381,678
Contributions Receivable - Long-Term, Net of Discounts	388,951	168,431
Property and Equipment, Net	970,083	782,717
Loan Fees	14,203	-
Investments	651,255	488,560
Total Assets	\$ 4,145,918	\$ 2,821,386
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 17,937	\$ 64,439
Accrued expenses	20,028	27,127
Deferred revenue	7,560	5,800
Total Current Liabilities	45,525	97,366
Net Assets		
Unrestricted		
Undesignated	1,350,681	1,097,383
Board designated - operating reserve	230,000	230,000
Temporarily restricted	2,369,712	1,246,637
Permanently restricted	150,000	150,000
Total Net Assets	4,100,393	2,724,020
Total Liabilities and Net Assets	\$ 4,145,918	\$ 2,821,386

SUPPORT DOGS, INC. AND SUBSIDIARY

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2013)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2013
Support, Revenue and Gains					
Contributions					
General, grants, and government contracts	\$ 283,082	\$ 80,180	\$ -	\$ 363,262	\$ 567,197
Capital campaign	-	1,283,842	-	1,283,842	1,463,820
United Way of Greater St. Louis Inc.	8,027	154,756	-	162,783	145,488
Program service fees	16,324	-	-	16,324	15,343
Obedience revenues	32,468	-	-	32,468	30,175
Special events, net of direct expenses of \$67,914	148,313	-	-	148,313	83,700
In-kind contributions	11,573	72,275	-	83,848	127,260
Other revenue	8,473	-	-	8,473	5,936
Net investment income	95,981	-	-	95,981	45,885
	604,241	1,591,053	-	2,195,294	2,484,804
Net assets released from restrictions	467,978	(467,978)	-	-	-
Total Support, Revenue and Gains	1,072,219	1,123,075	-	2,195,294	2,484,804
Expenses					
Program Services					
Assistance dog program	434,547	-	-	434,547	355,279
TOUCH program	48,236	-	-	48,236	60,865
PAWS for Reading program	28,290	-	-	28,290	14,501
Outreach program	73,804	-	-	73,804	71,566
Total Program Services	584,877	-	-	584,877	502,211
Supporting Services					
General and administrative	45,218	-	-	45,218	51,347
Obedience expenses	26,198	-	-	26,198	21,434
Fundraising	162,628	-	-	162,628	209,754
Total Supporting Services	234,044	-	-	234,044	282,535
Total Expenses	818,921	-	-	818,921	784,746
Change in Net Assets	253,298	1,123,075	-	1,376,373	1,700,058
Net Assets, Beginning of Year	1,327,383	1,246,637	150,000	2,724,020	1,023,962
Net Assets, End of Year	\$ 1,580,681	\$ 2,369,712	\$ 150,000	\$ 4,100,393	\$ 2,724,020

SUPPORT DOGS, INC. AND SUBSIDIARY

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2013)**

	Program Services					Supporting Services					2013
	Assistance		PAWS for		Total	Mgmt. and General	Fundraising		Total		
	Dog Program	TOUCH Program	Reading Program	Outreach Program	Program Services		Obedience Classes	Other	Supporting Services	Total	
Salaries and wages	\$ 215,522	\$ 25,458	\$ 12,865	\$ 45,963	\$ 299,808	\$ 21,485	\$ 18,159	\$ 52,867	\$ 92,511	\$ 392,319	\$ 353,930
Payroll taxes	16,283	1,924	972	3,474	22,653	1,624	1,372	3,993	6,989	29,642	22,608
Other employee benefits	27,134	4,474	1,923	5,639	39,170	1,599	199	7,942	9,740	48,910	35,164
Assistance dog acquisitions	8,211	-	-	-	8,211	-	-	-	-	8,211	17,720
Bank and credit card charges, and investment fees	531	63	32	113	739	8,206	45	5,683	13,934	14,673	12,646
Data processing - payroll	1,206	143	72	257	1,678	120	102	296	518	2,196	1,688
Depreciation	2,530	299	151	540	3,520	252	213	620	1,085	4,605	4,891
Dues and subscriptions	825	10	10	-	845	175	-	6,169	6,344	7,189	3,754
Equipment leasing	-	-	-	-	-	-	-	-	-	-	7,660
Information technology	2,306	272	137	491	3,206	229	194	1,343	1,766	4,972	4,868
Insurance	793	94	47	169	1,103	1,307	67	195	1,569	2,672	3,126
Meetings and in-house events	2,315	628	93	385	3,421	215	16	9,990	10,221	13,642	13,853
Occupancy	39,465	4,663	2,357	8,420	54,905	3,937	3,326	9,678	16,941	71,846	65,781
Office supplies	2,566	303	153	547	3,569	256	215	629	1,100	4,669	5,814
Other	868	186	72	141	1,267	823	56	866	1,745	3,012	9,356
Postage	3,444	407	205	735	4,791	344	290	3,555	4,189	8,980	6,363
Printing and copying	1,988	292	175	424	2,879	85	167	21,481	21,733	24,612	16,518
Professional fees	47,405	5,329	4,547	5,632	62,913	4,111	1,127	35,374	40,612	103,525	96,774
Program supplies	39,319	532	1,666	-	41,517	-	207	-	207	41,724	37,578
Staff development	1,368	33	34	150	1,585	210	300	1,125	1,635	3,220	3,183
Telephone	1,701	201	102	363	2,367	170	143	416	729	3,096	2,024
Travel and mileage reimbursement	16,087	247	-	361	16,695	70	-	406	476	17,171	12,714
Volunteer appreciation	2,680	2,678	2,677	-	8,035	-	-	-	-	8,035	10,049
Total	\$ 434,547	\$ 48,236	\$ 28,290	\$ 73,804	\$ 584,877	\$ 45,218	\$ 26,198	\$ 162,628	\$ 234,044	\$ 818,921	\$ 763,312

SUPPORT DOGS, INC. AND SUBSIDIARY

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2013)**

	June 30,	
	2014	2013
Cash Flows from Operating Activities		
Increase in net assets	\$ 1,376,373	\$ 1,700,058
Adjustments		
In-kind contributions	(83,848)	(127,260)
Depreciation	4,605	5,089
Unrealized gains on investments	(23,894)	(30,698)
Uncollectable pledges	-	15,250
Contributions restricted for capital campaign	(1,283,842)	(1,463,820)
(Increase) decrease in operating assets		
United Way of Greater St. Louis Inc. receivable	(2,502)	(3,750)
Grants receivable	19,796	(23,382)
Accounts receivable	(1,104)	(4,408)
Prepaid expenses	62	(6,013)
Deposits	-	15,000
Increase (decrease) in operating liabilities		
Accounts payable	(46,502)	54,630
Accrued expenses	(7,099)	16,898
Deferred revenue	1,760	2,150
Net Cash Provided (Used) by Operating Activities	(46,195)	149,744
Cash Flows from Investing Activities		
Purchase of property and equipment	(192,183)	(658,094)
Net purchases of investments	(141,861)	(59,728)
Net Cash Used by Investing Activities	(334,044)	(717,822)
Cash Flows from Financing Activities		
Cash received from capital campaign contributions	1,208,712	1,163,887
Net Cash Provided by Financing Activities	1,208,712	1,163,887
Net Increase in Cash and Cash Equivalents	828,473	595,809
Cash and cash equivalents, beginning of year	1,032,613	436,804
Cash and Cash Equivalents, End of Year	\$ 1,861,086	\$ 1,032,613

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

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** is engaged in land acquisition and construction of **SDI's** office facility.

The accompanying financial statements at June 30, 2014 and 2013, 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, 2013, 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.

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.

Animal-Assisted Therapy Dogs - Dogs trained and placed with an individual who is an employee of the facility in which the dog will work.

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

Psychiatric Service Dogs - Dogs trained to help military veterans, first responders, and EMS personnel suffering from the effects of Post-Traumatic Stress Disorder (PTSD).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Description of Program Service and Supporting Activities (Continued)*****Program Services*****Assistance Dog Program***

Court Room Dogs - Dogs trained to work with interviewers, during the forensic interview process, in facilities that handle children who have been mentally, physically, and/or sexually abused. These dogs are also given permission to accompany the child to court in the event the child has to give testimony.

TOUCH Program

SDI provides certification to volunteers and their own dogs to visit various healthcare facilities in the area.

PAWS for Reading Program

SDI provides additional certification to TOUCH volunteers to bring their dog in classrooms and the public libraries, while using the dog as an incentive for children to read.

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.

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 is 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 4 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, 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.

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, 2014 and 2013, volunteers donated approximately 680,516 and 85,000 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 increase in hours from 2013 to 2014 is due to a change in calculating the number of volunteer hours given through the Volunteer Puppy Raising program. 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 care 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.

Subsequent Events

The Organization has evaluated subsequent events through September 26, 2014, the date which the financial statements were available to be issued, for possible recognition or disclosure.

SUPPORT DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

2. CONTRIBUTIONS RECEIVABLE

At June 30, 2014, contributions receivable are expected to be collected in the following periods:

Year Ending June 30,	Amount
2015	\$ 239,674
2016	156,663
2017	148,748
2018	107,000
	652,085
Less discounts to net present value	(23,460)
Contributions Receivable, Net of Discounts	\$ 628,625

A discount rate of 2.5% was used to record contributions receivable at the present value of the future cash flows at June 30, 2014.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2014	2013
Land	\$ 699,369	\$ 699,369
Building - construction in progress	243,134	50,950
Leasehold improvements	29,510	29,510
Training equipment	23,570	28,109
Office furniture and fixtures	39,892	46,490
Property and equipment at cost	1,035,475	854,428
Less accumulated depreciation	(65,392)	(71,711)
Property and Equipment, Net	\$ 970,083	\$ 782,717

Depreciation expense was \$4,605 and \$5,089 for the years ended June 30, 2014 and 2013, respectively.

4. 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).

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2014 and 2013.

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

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)

4. 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, 2014 and 2013:

Description	Fair Value Measurements at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2014			
Mutual funds			
Bonds	\$ 315,663	\$ -	\$ -
Equity funds	335,592	-	-
Total	\$ 651,255	\$ -	\$ -
June 30, 2013			
Mutual funds			
Bonds	\$ 170,824	\$ -	\$ -
Equity funds	317,736	-	-
Total	\$ 488,560	\$ -	\$ -

5. LONG-TERM DEBT

In conjunction with the construction of the new facility disclosed in Note 10, **SMH** has a secured Construction Line of Credit with a bank. The line of credit is up to \$2,000,000 at a variable interest rate of 2.5% as of June 30, 2014. There were no advances on the line of credit for the years ended June 30, 2014, or 2013.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted as follows:

	June 30,	
	2014	2013
Time restrictions	\$ 75,945	\$ 72,819
Purpose restrictions	2,352,232	1,173,818
Total	\$ 2,428,177	\$ 1,246,637

SUPPORT DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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,	
	2014	2013
Time restrictions met	\$ 146,630	\$ 124,865
Purpose restrictions met	262,883	224,820
Total	\$ 409,513	\$ 349,685

7. 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, 2014	\$ -	\$ -	\$ 150,000	\$ 150,000

There were no changes in endowment net assets for the year ended June 30, 2014.

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

7. DISCLOSURES OF ENDOWMENT FUND (CONTINUED)**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.

8. 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, 2014 and 2013, the Organization recognized in-kind support as follows:

	Years Ended June 30,	
	2014	2013
Construction services	\$ 72,275	\$ -
Other professional services	1,315	-
Supplies and merchandise	10,258	16,710
Land	-	96,000
Animal acquisition	-	14,550
Total	\$ 83,848	\$ 127,260

9. COMMITMENTS AND CONTINGENCIES

The Organization leases its facilities under an operating lease expiring in December 2015, with the option to renew for an additional term of five years. Rent expense for this lease was \$48,987 and \$44,904 for the years ended June 30, 2014 and 2013, respectively.

Approximate future minimum lease payments for the remaining terms of this lease are as follows:

Year Ending June 30,	Amount
2015	\$ 48,987
2016	24,493
Total Future Minimum Lease Payments	\$ 73,480

10. CAPITAL CAMPAIGN

In an effort to further **SDI's** mission to increase services to individuals with disabilities and other growing needs in the community, **SDI's** strategic plan identified a need to increase capacity and facilities. This initiative will allow **SDI** to train an increased number of assistance dogs and recruit and train additional volunteers to serve the community. As a result, during the year ended June 30, 2012, with Board approval, the Organization began exploring opportunities to construct a new facility and also began a capital campaign to fund such opportunities. The cost of the capital campaign increased fundraising expenses by \$48,490 and \$72,204 for the years ended June 30, 2014 and 2013, respectively. Net assets raised and are restricted for the capital campaign as of June 30, 2014 and 2013 were \$2,319,756 and \$1,135,110, respectively.

SUPPLEMENTARY INFORMATION



**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, 2014, and have issued our report thereon dated September 26, 2014, 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
September 26, 2014

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

Assets

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 1,861,062	\$ 24	\$ -	\$ 1,861,086
Contributions receivable				
United Way receivable	75,246	-	-	75,246
Pledges receivable	164,428	-	-	164,428
Other receivables				
Grants receivable	3,586	-	-	3,586
Accounts receivable	5,512	-	-	5,512
Due from Stormy Maze Holdings, LLC	945,776	-	(945,776)	-
Prepaid expenses	10,926	-	-	10,926
Accrued interest	642	-	-	642
Total Current Assets	3,067,178	24	(945,776)	2,121,426
Contributions Receivable - Long-Term, Net of Discounts	388,951	-	-	388,951
Property and Equipment, Net	27,580	942,503	-	970,083
Loan Fees	-	14,203	-	14,203
Investments	651,255	-	-	651,255
Total Assets	\$ 4,134,964	\$ 956,730	\$ (945,776)	\$ 4,145,918

Liabilities and Net Assets

Current Liabilities				
Accounts payable	\$ 6,807	\$ 11,130	\$ -	\$ 17,937
Accrued expenses	20,028	-	-	20,028
Deferred revenue	7,560	-	-	7,560
Due to Support Dogs, Inc.	-	945,776	(945,776)	-
Total Current Liabilities	34,395	956,906	(945,776)	45,525
Net Assets				
Unrestricted				
Undesignated	1,350,857	(176)	-	1,350,681
Board designated - operating reserve	230,000	-	-	230,000
Temporarily restricted	2,369,712	-	-	2,369,712
Permanently restricted	150,000	-	-	150,000
Total Net Assets	4,100,569	(176)	-	4,100,393
Total Liabilities and Net Assets	\$ 4,134,964	\$ 956,730	\$ (945,776)	\$ 4,145,918

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Totals
Support, Revenue and Gains			
Contributions			
General, grants, and government contracts	\$ 363,262	\$ -	\$ 363,262
Capital campaign	1,283,842	-	1,283,842
United Way of Greater St. Louis Inc.	162,783	-	162,783
Program service fees	16,324	-	16,324
Obedience revenues	32,468	-	32,468
Special events, net of direct expenses of \$67,914	148,313	-	148,313
In-kind contributions	83,848	-	83,848
Other revenue	8,473	-	8,473
Net investment income	95,981	-	95,981
Total Support, Revenue and Gains	2,195,294	-	2,195,294
Expenses			
Program Services			
Assistance dog program	434,547	-	434,547
TOUCH program	48,236	-	48,236
PAWS for Reading program	28,290	-	28,290
Education program	73,804	-	73,804
Total Program Services	584,877	-	584,877
Supporting Services			
General and administrative	45,098	120	45,218
Obedience expenses	26,198	-	26,198
Fundraising	162,628	-	162,628
Total Supporting Services	233,924	120	234,044
Total Expenses	818,801	120	818,921
Change in Net Assets	1,376,493	(120)	1,376,373
Net Assets, Beginning of Year	2,724,076	(56)	2,724,020
Net Assets, End of Year	\$ 4,100,569	\$ (176)	\$ 4,100,393