
**SUPPORT DOGS, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015

SUPPORT DOGS, INC. AND SUBSIDIARY

JUNE 30, 2015

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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, 2015, 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, 2015, 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, 2014, and our report dated September 26, 2014, 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, 2014, 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 7, 2015

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2014)**

	Assets	
	June 30,	
	2015	2014
Current Assets		
Cash and cash equivalents	\$ 2,355,042	\$ 1,861,086
Contributions receivable		
United Way of Greater St. Louis	73,010	75,246
Pledges receivable	155,027	164,428
Other receivables		
Grants receivable	3,239	3,586
Accounts receivable	5,262	5,512
Prepaid expenses	12,082	10,926
Accrued interest	530	642
Total Current Assets	2,604,192	2,121,426
Contributions Receivable - Long-Term,		
Net of Discounts	241,960	388,951
Property and Equipment, Net	1,843,397	970,083
Loan Fees	14,203	14,203
Deposits	28,100	-
Investments	616,206	651,255
Total Assets	\$ 5,348,058	\$ 4,145,918
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 626,278	\$ 17,937
Accrued expenses	30,691	20,028
Deferred revenue	8,174	7,560
Total Current Liabilities	665,143	45,525
Net Assets		
Unrestricted		
Undesignated	2,296,134	1,292,216
Board designated - operating reserve	230,000	230,000
Temporarily restricted	2,006,781	2,428,177
Permanently restricted	150,000	150,000
Total Net Assets	4,682,915	4,100,393
Total Liabilities and Net Assets	\$ 5,348,058	\$ 4,145,918

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2014)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2014
Support, Revenue and Gains					
Contributions					
General, grants, and government contracts	\$ 541,012	\$ 27,533	\$ -	\$ 568,545	\$ 363,262
Capital campaign	-	450,893	-	450,893	1,283,842
United Way of Greater St. Louis	-	145,914	-	145,914	162,783
Program service fees	20,639	-	-	20,639	16,324
Obedience revenues	29,178	-	-	29,178	32,468
Special events, net of direct expenses of \$62,239	141,230	-	-	141,230	148,313
In-kind contributions	29,097	-	-	29,097	83,848
Other revenue	13,128	-	-	13,128	8,473
Net investment income	23,250	-	-	23,250	95,981
	797,534	624,340	-	1,421,874	2,195,294
Net assets released from restrictions	1,045,736	(1,045,736)	-	-	-
Total Support, Revenue and Gains	1,843,270	(421,396)	-	1,421,874	2,195,294
Expenses					
Program Services					
Assistance dog program	457,596	-	-	457,596	434,547
TOUCH program	60,432	-	-	60,432	48,236
PAWS for Reading program	57,543	-	-	57,543	28,290
Outreach program	61,415	-	-	61,415	73,804
Total Program Services	636,986	-	-	636,986	584,877
Supporting Services					
General and administrative	42,193	-	-	42,193	45,218
Obedience expenses	30,959	-	-	30,959	26,198
Fundraising	129,214	-	-	129,214	162,628
Total Supporting Services	202,366	-	-	202,366	234,044
Total Expenses	839,352	-	-	839,352	818,921
Change in Net Assets	1,003,918	(421,396)	-	582,522	1,376,373
Net Assets, Beginning of Year	1,522,216	2,428,177	150,000	4,100,393	2,724,020
Net Assets, End of Year	\$ 2,526,134	\$ 2,006,781	\$ 150,000	\$ 4,682,915	\$ 4,100,393

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2014)**

	Program Services					Supporting Services					2014
	Assistance	PAWS for			Total	Mgmt.	Fundraising		Total	Total	
	Dog Program	TOUCH Program	Reading Program	Outreach Program	Program Services	and General	Obedience Classes	Other	Supporting Services		
Salaries and wages	\$ 244,681	\$ 35,872	\$ 34,136	\$ 41,066	\$ 355,755	\$ 21,535	\$ 20,217	\$ 62,581	\$ 104,333	\$ 460,088	\$ 392,319
Payroll taxes	18,434	2,703	2,572	3,095	26,804	1,622	1,522	4,713	7,857	34,661	29,642
Other employee benefits	26,634	4,662	4,647	4,688	40,631	1,350	172	5,454	6,976	47,607	48,910
Assistance dog acquisitions	10,647				10,647				-	10,647	8,211
Bank and credit card charges, and investment fees	536	295	291	90	1,212	8,613	1,239	3,377	13,229	14,441	14,673
Data processing - payroll	1,144	168	160	192	1,664	101	94	292	487	2,151	2,196
Depreciation	1,716	252	239	288	2,495	151	142	439	732	3,227	4,605
Dues and subscriptions	822	101	100	29	1,052	368	13	4,538	4,919	5,971	7,189
Information technology	5,865	861	818	985	8,529	516	485	8,199	9,200	17,729	4,972
Insurance	860	126	120	144	1,250	1,388	71	219	1,678	2,928	2,672
Meetings and in-house events	1,895	511	134	76	2,616	323	38	3,493	3,854	6,470	13,642
Occupancy	37,827	5,548	5,278	6,352	55,005	3,329	3,123	9,674	16,126	71,131	71,846
Office supplies	5,634	826	787	946	8,193	495	466	1,440	2,401	10,594	4,669
Other	4,082	143	136	167	4,528	177	2,095	1,302	3,574	8,102	3,012
Postage	2,467	362	344	415	3,588	217	203	4,293	4,713	8,301	8,980
Printing and copying	927	135	129	155	1,346	81	76	14,770	14,927	16,273	24,612
Professional fees	36,882	3,392	3,323	1,930	45,527	1,160	795	2,774	4,729	50,256	103,525
Program supplies	34,248	663	827	27	35,765	14	13	41	68	35,833	41,724
Staff development	1,174	163	155	186	1,678	643	92	828	1,563	3,241	3,220
Telephone	1,246	183	174	209	1,812	110	103	319	532	2,344	3,096
Travel and mileage reimbursement	16,805	397	103	375	17,680	-	-	468	468	18,148	17,171
Volunteer appreciation	3,070	3,069	3,070	-	9,209	-	-	-	-	9,209	8,035
Total	\$ 457,596	\$ 60,432	\$ 57,543	\$ 61,415	\$ 636,986	\$ 42,193	\$ 30,959	\$ 129,214	\$ 202,366	\$ 839,352	\$ 818,921

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2014)**

	June 30,	
	2015	2014
Cash Flows from Operating Activities		
Increase in net assets	\$ 582,522	\$ 1,376,373
Adjustments		
In-kind contributions	(29,097)	(83,848)
Depreciation	3,227	4,605
Unrealized (gains) losses on investments	11,743	(23,894)
Contributions restricted for capital campaign	(450,893)	(1,283,842)
(Increase) decrease in operating assets		
Contributions receivable		
United Way of Greater St. Louis	2,236	(2,502)
Grants receivable	347	19,796
Accounts receivable	250	(1,104)
Prepaid expenses	(1,156)	62
Deposits	(28,100)	-
Increase (decrease) in operating liabilities		
Accounts payable	608,341	(46,502)
Accrued expenses	10,663	(7,099)
Deferred revenue	614	1,760
Net Cash Provided (Used) by Operating Activities	710,697	(46,195)
Cash Flows from Investing Activities		
Purchase of property and equipment	(876,542)	(192,183)
Net sales (purchases) of investments	52,516	(141,861)
Net Cash Used by Investing Activities	(824,026)	(334,044)
Cash Flows from Financing Activities		
Cash received from capital campaign contributions	607,285	1,208,712
Net Cash Provided by Financing Activities	607,285	1,208,712
Net Increase in Cash and Cash Equivalents	493,956	828,473
Cash and cash equivalents, beginning of year	1,861,086	1,032,613
Cash and Cash Equivalents, End of Year	\$ 2,355,042	\$ 1,861,086

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 and 2014, 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, 2014, 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 a facility that works with "at risk" populations.

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 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.

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 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, 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.

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, 2015 and 2014, volunteers donated approximately 675,604 and 680,516 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 7, 2015, 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, 2015 and 2014, cash balances exceeded the FDIC limits by \$1,897,705 and \$1,528,474, respectively.

SUPPORT DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

2. CONTRIBUTIONS RECEIVABLE

At June 30, 2015, contributions receivable are expected to be collected in the following periods:

Year Ending June 30,	Amount
2016	\$ 231,276
2017	146,700
2018	107,000
	484,976
Less discounts to net present value	(11,740)
Contributions Receivable, Net of Discounts	\$ 473,236

A discount rate of 2.5% was used to record contributions receivable at the present value of the future cash flows at June 30, 2015.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2015	2014
Land	\$ 699,369	\$ 699,369
Building - construction in progress	1,113,776	243,134
Leasehold improvements	29,510	29,510
Training equipment	29,352	23,570
Office furniture and fixtures	36,308	39,892
Property and equipment at cost	1,908,315	1,035,475
Less accumulated depreciation	(64,918)	(65,392)
Property and Equipment, Net	\$ 1,843,397	\$ 970,083

Depreciation expense was \$3,227 and \$4,605 for the years ended June 30, 2015 and 2014, respectively.

3. PROPERTY AND EQUIPMENT (CONTINUED)

In an effort to further **SDI's** mission to increase services to individuals with disabilities and other growing needs in the community, **SDI** began a capital campaign in 2012 to fund the construction of a new facility. The cost of the capital campaign increased fundraising expenses by \$1,726 and \$48,490 for the years ended June 30, 2015 and 2014, respectively. Net assets raised and restricted for the capital campaign as of June 30, 2015 and 2014 were \$1,903,942 and \$2,319,756, respectively. Construction in progress to the new facility was \$1,113,776 and \$243,134 for the years ended June 30, 2015 and 2014, 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).

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, 2015 and 2014.

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

SUPPORT DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2015 and 2014:

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, 2015			
Mutual funds			
Bonds	\$ 270,533	\$ -	\$ -
Equity funds	345,673	-	-
Total	\$ 616,206	\$ -	\$ -
June 30, 2014			
Mutual funds			
Bonds	\$ 315,663	\$ -	\$ -
Equity funds	335,592	-	-
Total	\$ 651,255	\$ -	\$ -

5. LONG-TERM DEBT

In conjunction with the construction of the new facility disclosed in Note 3, **SMH** has a secured Construction Line of Credit with a bank. The line of credit is up to \$1,500,000 at a variable interest rate of one month LIBOR plus 2.5% as of June 30, 2015. There were no advances on the line of credit for the years ended June 30, 2015, or 2014.

SUPPORT DOGS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (Continued)

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted as follows:

	June 30,	
	2015	2014
Time restrictions	\$ 75,449	\$ 75,945
Purpose restrictions	1,931,332	2,352,232
Total	\$ 2,006,781	\$ 2,428,177

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,	
	2015	2014
Time restrictions met	\$ 149,733	\$ 146,630
Purpose restrictions met	896,003	262,883
Total	\$ 1,045,736	\$ 409,513

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, 2015	\$ -	\$ -	\$ 150,000	\$ 150,000

There were no changes in endowment net assets for the year ended June 30, 2015.

7. 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)

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, 2015 and 2014, the Organization recognized in-kind support as follows:

	Years Ended June 30,	
	2015	2014
Construction services	\$ -	\$ 72,275
Other professional services	2,260	1,315
Supplies and merchandise	8,985	10,258
Equipment	5,900	-
Animal acquisition	6,947	-
Total	\$ 24,092	\$ 83,848

For the year ended June 30, 2015, the Organization had \$5,005 of stock donated.

9. COMMITMENTS AND CONTINGENCIES

The Organization leases its facilities under an operating lease expiring in March 2016, with the option to renew for an additional term of five years. Rent expense for this lease was \$48,987 for the years ended June 30, 2015 and 2014.

Approximate future minimum lease payments for the year ended June 30, 2016 are \$36,740.

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, 2015, and have issued our report thereon dated October 7, 2015, 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 7, 2015

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

Assets

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 429,962	\$ 1,925,080	\$ -	\$ 2,355,042
Contributions receivable				
United Way of Greater St. Louis	73,010	-	-	73,010
Pledges receivable	155,027	-	-	155,027
Other receivables				
Grants receivable	3,239	-	-	3,239
Accounts receivable	5,262	-	-	5,262
Due from Stormy Maze Holdings, LLC	3,179,793	-	(3,179,793)	-
Prepaid expenses	12,082	-	-	12,082
Accrued interest	530	-	-	530
Total Current Assets	3,858,905	1,925,080	(3,179,793)	2,604,192
Contributions Receivable - Long-Term, Net of Discounts				
	241,960	-	-	241,960
Property and Equipment, Net	30,252	1,813,145	-	1,843,397
Loan Fees	-	14,203	-	14,203
Deposits	-	28,100	-	28,100
Investments	616,206	-	-	616,206
Total Assets	\$ 4,747,323	\$ 3,780,528	\$ (3,179,793)	\$ 5,348,058

Liabilities and Net Assets

Current Liabilities				
Accounts payable	\$ 26,092	\$ 600,186	\$ -	\$ 626,278
Accrued expenses	30,691	-	-	30,691
Deferred revenue	8,174	-	-	8,174
Due to Support Dogs, Inc.	-	3,179,793	(3,179,793)	-
Total Current Liabilities	64,957	3,779,979	(3,179,793)	665,143
Net Assets				
Unrestricted				
Undesignated	2,295,585	549	-	2,296,134
Board designated - operating reserve	230,000	-	-	230,000
Temporarily restricted	2,006,781	-	-	2,006,781
Permanently restricted	150,000	-	-	150,000
Total Net Assets	4,682,366	549	-	4,682,915
Total Liabilities and Net Assets	\$ 4,747,323	\$ 3,780,528	\$ (3,179,793)	\$ 5,348,058

SUPPORT DOGS, INC. AND SUBSIDIARY

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	Support Dogs, Inc.	Stormy Maze Holdings, LLC	Totals
Support, Revenue and Gains			
Contributions			
General, grants, and government contracts	\$ 568,545	\$ -	\$ 568,545
Capital campaign	450,893	-	450,893
United Way of Greater St. Louis	145,914	-	145,914
Program service fees	20,639	-	20,639
Obedience revenues	29,178	-	29,178
Special events, net of direct expenses of \$62,239	141,230	-	141,230
In-kind contributions	29,097	-	29,097
Other revenue	13,128	-	13,128
Net investment income	22,411	839	23,250
Total Support, Revenue and Gains	1,421,035	839	1,421,874
Expenses			
Program Services			
Assistance dog program	457,596	-	457,596
TOUCH program	60,432	-	60,432
PAWS for Reading program	57,543	-	57,543
Outreach program	61,415	-	61,415
Total Program Services	636,986	-	636,986
Supporting Services			
General and administrative	42,079	114	42,193
Obedience expenses	30,959	-	30,959
Fundraising	129,214	-	129,214
Total Supporting Services	202,252	114	202,366
Total Expenses	839,238	114	839,352
Change in Net Assets	581,797	725	582,522
Net Assets, Beginning of Year	4,100,569	(176)	4,100,393
Net Assets, End of Year	\$ 4,682,366	\$ 549	\$ 4,682,915