

SMOKY MOUNTAIN SERVICE DOGS

FINANCIAL STATEMENTS

Year Ended December 31, 2018

SMOKY MOUNTAIN SERVICE DOGS
Maryville, Tennessee
Year Ended December 31, 2018

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Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
Facsimile
865-982-1665

INDEPENDENT AUDITORS' REPORT

To the Directors of
Smoky Mountain Service Dogs
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Smoky Mountain Service Dogs, (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smoky Mountain Service Dogs, as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ingram, Overholt & Bean, P.C.

Alcoa, Tennessee

March 21, 2019

SMOKY MOUNTAIN SERVICE DOGS
Statement of Financial Position
December 31, 2018

ASSETS

Current Assets

Cash	\$ 2,148,147
Accounts receivable	60,776
Prepaid expenses	<u>4,022</u>
	<u>2,212,945</u>

Fixed Assets

Land	60,000
Building	113,154
Improvements	13,399
Equipment	22,921
Vehicles	16,200
Construction in Progress	<u>46,734</u>
	272,408
Less: Accumulated depreciation	<u>(37,830)</u>
Net Fixed Assets	<u>234,578</u>

Total Assets \$ 2,447,523

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	<u>\$ 8,253</u>
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Net Assets

Unrestricted	1,970,336
Temporarily restricted net assets	<u>468,934</u>
Total Net Assets	<u>2,439,270</u>

Total Liabilities and Net Assets \$ 2,447,523

See accompanying independent auditors' report and notes.

SMOKY MOUNTAIN SERVICE DOGS

Statement of Activities Year Ended December 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Contributions	\$ 602,024	\$ 33,380	\$ 635,404
Grants and awards	-	339,731	339,731
Application fees	700	-	700
Special events (net of expenses of \$23,318)	94,278	-	94,278
Interest income	4,808	-	4,808
Net assets released from Restriction	<u>280,388</u>	<u>(280,388)</u>	<u>-</u>
Total Revenues	<u>982,198</u>	<u>92,723</u>	<u>1,074,921</u>
Expenses			
Program	229,255	-	229,255
General and administration	<u>20,240</u>	<u>-</u>	<u>20,240</u>
Total Expenses	<u>249,495</u>	<u>-</u>	<u>249,495</u>
Change in Net Assets	732,703	92,723	825,426
Net Assets, Beginning of Year, as previously stated	<u>1,237,633</u>	<u>376,211</u>	<u>1,613,844</u>
Net Assets, End of Year	<u>\$ 1,970,336</u>	<u>\$ 468,934</u>	<u>\$ 2,439,270</u>

See accompanying independent auditors' report and notes.

SMOKY MOUNTAIN SERVICE DOGS

Statement of Cash Flows Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donations	\$ 753,700
Cash received from grantors	278,955
Cash received from interest earned	4,808
Cash paid to suppliers and employees	<u>(270,615)</u>
Net Cash Provided by Operating Activities	766,848
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(56,735)</u>
Net Increase in Cash and Cash Equivalents	710,113
Cash and Cash Equivalents at Beginning of Year	<u>1,438,034</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,148,147</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities	
Change in net assets	\$ 825,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,685
Changes in current assets and liabilities:	
Accounts receivable	(60,776)
Prepaid expenses	(183)
Accounts payable	<u>(11,304)</u>
Net Cash Provided by Operating Activities	<u>\$ 766,848</u>

See accompanying independent auditors' report and notes.

SMOKY MOUNTAIN SERVICE DOGS

Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Program Services</u>		Total	Management	Total
	<u>Canine Support</u>	<u>Facility Support</u>	<u>Program Services</u>	<u>and General</u>	<u>Functional Expenses</u>
Salaries	\$ 137,682	\$ -	\$ 137,682	\$ -	\$ 137,682
Payroll expenses	11,317	-	11,317	-	11,317
Insurance	3,672	1,248	4,920	552	5,472
Training expenses	1,678	-	1,678	-	1,678
Dog food and supplies	11,323	-	11,323	-	11,323
Veterinary care	10,256	-	10,256	-	10,256
Canine purchase	7,050	-	7,050	-	7,050
Travel expenses	2,798	-	2,798	334	3,132
Offsite rental	-	5,500	5,500	-	5,500
Depreciation	-	13,685	13,685	-	13,685
Utilities	-	5,380	5,380	-	5,380
Maintenance and repair	-	10,616	10,616	-	10,616
Kennel supplies	-	6,684	6,684	-	6,684
Apparel/Uniforms	-	-	-	3,351	3,351
Professional services	-	-	-	3,000	3,000
Bank fees	-	-	-	243	243
Dues and registration	-	-	-	1,599	1,599
Office supplies	-	-	-	1,690	1,690
Information Technology	-	-	-	2,383	2,383
Postage	-	-	-	477	477
Miscellaneous	-	366	366	6,611	6,977
Total	<u>\$ 185,776</u>	<u>\$ 43,479</u>	<u>\$ 229,255</u>	<u>\$ 20,240</u>	<u>\$ 249,495</u>

See accompanying independent auditors' report and notes.

SMOKY MOUNTAIN SERVICE DOGS

Notes to Financial Statements

December 31, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Smoky Mountain Service Dogs, a non-profit organization established under the laws of the State of Tennessee, is organized to train and provide mobility assistance dogs to disabled veterans.

While it takes approximately two years to train a dog for mobility assistance, Smoky Mountain Service Dogs has matched 29 dogs with veterans since its first placement in 2013. There are currently 18 dogs in various stages of training in the program.

Method of Accounting – The financial statements of the organization have been presented utilizing the accrual basis of accounting.

Financial Statement Presentation – The organization uses Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements for Non Profit Organizations”. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the organization is required to present a statement of cash flows.

Contributions – The organization uses SFAS No. 116, “Accounting for Contributions Received and Contributions Made”, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Volunteers – Currently, Smoky Mountain Service Dogs utilizes over 100 volunteers in all aspects of its program including puppy raising, dog fostering, public relations, facilities maintenance, fundraising, client relations, clerical, etc. There are no salaried, administrative staff and only four paid employees, all of which are professional canine trainers. This allows the organization to maintain a very low percentage of general and administrative expenses.

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

Cash Equivalents – Management considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at December 31, 2018.

(Continued)

SMOKY MOUNTAIN SERVICE DOGS

Notes to Financial Statements

December 31, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status – The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. Federal Income tax examinations for the years 2015, 2016, and 2017 are still open to examination by the Internal Revenue Service.

Advertising – Advertising expense is recognized as incurred. There were no advertising expenses for the year ended December 31, 2018.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization's cash balances are insured (FDIC \$250,000 per financial institution) by various banks. Balances in excess of \$250,000 are at risk and total \$1,648,147 at December 31, 2018.

NOTE 3 – FIXED ASSETS

Fixed Assets are recorded at cost and donated assets are valued at their estimated fair value on the date donated. All assets are depreciated over the assets estimated useful lives using the straight line method of depreciation. Estimated useful lives vary by asset, between 5 – 40 years. Items that do not extend the assets useful life are recorded as repairs and maintenance. Depreciation expense for the year ended December 31, 2018 was \$13,685.

Fixed assets at December 31, 2018 are comprised of:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 60,000	\$ -	\$ 60,000
Building	113,154	16,974	96,180
Improvements	13,399	503	12,896
Equipment	22,921	13,333	9,588
Vehicles	16,200	7,020	9,180
CIP	46,734	-	46,734
	<u>\$ 272,408</u>	<u>\$ 37,830</u>	<u>\$ 234,578</u>

(Continued)

SMOKY MOUNTAIN SERVICE DOGS

Notes to Financial Statements

December 31, 2018

NOTE 3 – FIXED ASSETS (Continued)

In 2015, Smoky Mountain Service Dogs purchased the 10-acre parcel of land it had previously been leasing. This property, in Lenoir City, Tennessee, includes a small kennel and a caretaker residence. Plans are underway to construct a new, larger kennel including an indoor, veteran/canine training center. A capital campaign has been launched to fund the construction of this facility, which will allow the organization to serve more wounded veterans. Construction in progress related to the new training facility for the year ended December 31, 2018 was \$46,734.

NOTE 4 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services, based on management's usage estimates. General overhead expenses are 8% of total expenses for the year ended December 31, 2018.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

Capital Spending	\$ 204,978
Program Services	<u>263,956</u>
	<u>\$ 468,934</u>

NOTE 6 – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is March 21, 2018, which is the date on which the financial statements were issued.