



**GT REILLY**  
**& COMPANY**  
CPAs and Advisors

Audited Financial Statements

Educated Canines Assisting  
· With Disabilities

December 31, 2016

# **Educated Canines Assisting With Disabilities**

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## **Audited Financial Statements**

**December 31, 2016**

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# GT REILLY & COMPANY

CPAs and Advisors

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## Independent Auditors' Report

To the Board of Directors of  
Educated Canines Assisting With Disabilities  
Dobbs Ferry, NY

We have audited the accompanying financial statements of Educated Canines Assisting With Disabilities (ECAD) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 from 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 auditors' 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.

*An independent firm associated with  
Moore Stephens International Limited*

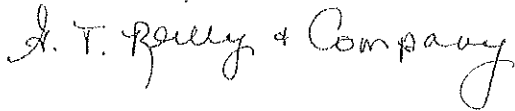
**MOORE STEPHENS**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educated Canines Assisting With Disabilities as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 11 and 12 are presented for 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 standard 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.



G.T. Reilly & Company

Milton, Massachusetts  
May 15, 2017

# Educated Canines Assisting with Disabilities, Inc.

## Statements of Financial Position December 31

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Assets</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 268,172	\$ 348,447	\$ 113,515	\$ 127,632
Accounts receivable	6,334	-	15,400	-
Prepaid expenses	6,802	-	21,028	-
Inventory	6,069	-	7,494	-
<b>TOTAL CURRENT ASSETS</b>	<b>287,377</b>	<b>348,447</b>	<b>157,437</b>	<b>127,632</b>
<b>OTHER ASSETS</b>				
Investments	196,532	-	187,661	-
Property, plant and equipment:				
Buildings	464,313	-	464,313	-
Equipment	84,732	-	84,732	-
Improvements and costs in process	295,336	-	25,810	-
Land	31,511	-	31,511	-
Vehicles	210,696	-	238,411	-
Less: accumulated depreciation	(443,878)	-	(417,186)	-
Total property, plant, and equipment (Note 1)	642,710	-	427,591	-
<b>TOTAL OTHER ASSETS</b>	<b>839,242</b>	<b>-</b>	<b>615,252</b>	<b>-</b>
	<b>\$ 1,126,619</b>	<b>\$ 348,447</b>	<b>\$ 772,689</b>	<b>\$ 127,632</b>
				<b>\$ 900,321</b>
<b>Liabilities and Net Assets</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 28,193	\$ -	\$ 5,420	\$ -
Accrued expenses	25,013	-	19,584	-
Deferred revenue	-	-	16,950	-
Notes payable- current portion (Note 5)	12,499	-	11,836	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>65,705</b>	<b>-</b>	<b>53,790</b>	<b>-</b>
<b>LONG TERM NOTES PAYABLE (NOTE 5)</b>	<b>9,363</b>	<b>-</b>	<b>21,857</b>	<b>-</b>
<b>NET ASSETS (Notes 2 and 5)</b>				
Unrestricted:	1,051,551	348,447	697,042	-
Temporarily restricted	-	-	-	127,632
<b>TOTAL NET ASSETS</b>	<b>1,051,551</b>	<b>348,447</b>	<b>697,042</b>	<b>127,632</b>
	<b>\$ 1,126,619</b>	<b>\$ 348,447</b>	<b>\$ 772,689</b>	<b>\$ 127,632</b>
				<b>\$ 900,321</b>



## Educated Canines Assisting with Disabilities, Inc.

### Statements of Cash Flows

Year Ended December 31

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 575,324	\$ (244,875)
Adjustments to reconcile changes to net assets to net cash provided from operating activities:		
Depreciation	35,009	48,836
Loss on disposals of property and equipment	19,399	-
Realized and unrealized loss on investments	124	330
Changes in operating assets and liabilities:		
Accounts receivable	9,066	15,166
Prepaid expenses	14,226	2,163
Inventory	1,425	(3,314)
Accounts payable	22,773	(74,630)
Accrued expenses	5,429	(2,844)
Deferred revenue	(16,950)	(32,988)
NET CASH USED BY OPERATING ACTIVITIES	<u>665,825</u>	<u>(292,156)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(269,527)	(8,660)
Purchase of investments	(8,995)	(6,580)
NET CASH (APPLIED TO) PROVIDED FROM INVESTING ACTIVITIES	<u>(278,522)</u>	<u>(15,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loans payable	(11,831)	(11,205)
RESULTING IN A NET INCREASE (DECREASE) IN CASH	<u>375,472</u>	<u>(318,601)</u>
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>241,147</u>	<u>559,748</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 616,619</u>	<u>\$ 241,147</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Interest paid	<u>\$ 1,839</u>	<u>\$ 3,681</u>

# Educated Canines Assisting With Disabilities

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## Notes to Financial Statements

December 31, 2016

### Note 1 - Summary of Significant Accounting Policies

Organization – East Coast Assistance Dogs, Inc. D/B/A as Educated Canines Assisting with Disabilities ("ECAD"), is a not-for-profit organization established in 1995 whose principal purpose is to train dogs to be the arms and legs for the disabled. ECAD is unique because it custom trains each dog to suit the individual's specific disability. Programs of ECAD include the disabled service dog recipient, who is enabled to enter mainstream life. ECAD is supported by private donations, foundation grants, and revenue related to fee for service programs.

During June of 2016, ECAD closed its New York facilities and moved program operation and administrative functions to its main campus in Torrington, Connecticut. The closure was related to the consolidation of all program and administrative functions to one location with the intention of reducing costs and making ECAD more efficient and effective.

Basis of Accounting – The financial statements of the ECAD have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Financial Statement Presentation – ECAD reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories is as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations, including net assets allocated to specific purposes by action of the Board of Trustees (the "Board"), which are reflected as board-designated net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by action of the Organization or the passage of time or both. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by ECAD. There are no permanently restricted net assets at December 31, 2016 and 2015.

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 the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Income Tax Status – ECAD is organized as a Connecticut non-stock corporation and is exempt from federal income tax under section 501(c)(3) of the internal revenue code. In addition, ECAD qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Cash and Cash Equivalents – ECAD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude cash held for long term investment.



## Note 1 - Summary of Significant Accounting Policies (Cont.)

Investments – Investments in marketable equity securities with a readily determinable fair value (including mutual funds) and all money market funds are reported at fair value, with unrealized gains and losses reflected in the statement of activities (see Note 2).

Fair Value of Financial Instruments – In accordance with FASB ASC 820-10-50, ECAD is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Valued at quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Valued based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Certain securities trading outside the U.S. may transfer between Level 1 and Level 2 due to valuation adjustments resulting from significant market movements following the close of local trading.

Level 3: Valued based on significant unobservable inputs that reflect the investment advisor's determination of assumptions that market participant might reasonably use in valuing the securities.

ECAD's carrying amount of cash and cash equivalents approximate fair value under Level 1. Investments are carried at fair market value based on Level 1 and Level 2 observable inputs and are presented in Note 3. ECAD does not use derivatives for speculative purposes or for leveraging returns, but rather these instruments may be used with the objectives of reducing overall portfolio risk and/or lowering the cost of investment management. ECAD believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2016 and 2015, in accordance with FASB ASC 820-10-50.

Accounts Receivable – Accounts receivable are recorded at estimated net realizable value. When necessary, an allowance for doubtful accounts is estimated based upon historical collections. On a periodic basis, management evaluates its accounts receivable and establishes or adjusts its allowance to an amount it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectability of individual accounts, ECAD's history of prior loss experience, and on current economic conditions. Accounts are charged against the allowance when management believes that the collectability of the specific account is likely.

Property and Equipment – ECAD's policy is to capitalize property and equipment with an original cost, or if donated, at fair value at the date of donation of at least \$1,000 and a useful life in excess of one year. The costs of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in the Statement of Activities and Changes in Net Assets; unless the assets are traded-in and no cash is received, in which case the undepreciated cost is included in the cost of the asset acquired.

Property and equipment are depreciated using the straight line method for new assets over their estimated useful life; and double declining method for certain existing assets, which will be fully depreciated in the near term. Estimated useful lives are as follows:

Equipment and Fixtures	5-10 years
Building and Building Improvements	10-50 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2016 and 2015 was \$35,009 and \$48,836, respectively.

As a result of exceeding its capacity at its current facilities, ECAD has commenced a capital campaign to raise funds for a three-phase expansion and facility enhancement program. The first phase is to expand the existing training center. The second phase is constructing an 8,700 square foot training and wellness center to house trained dogs and ECAD clients. The final phase is to fully equip a full veterinarian office, quarantine area and expanded office space. Anticipated costs of development will approximate four and one-half million dollars. As of the year ended December 31, 2016, approximately \$270,000 has been capitalized by ECAD for the facility and included in improvements in the statement of financial position.

**Note 1-Summary of Significant Accounting Policies (Cont.)**

Contributions – Contributions are recognized as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions when a promise is made. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions are reported as increases to unrestricted net assets when restrictions expire in the reporting period that the contributions are reported as revenue.

Deferred Revenue – Deferred revenue consists of amounts to be used to fund future client training.

Expense Allocation – The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services.

Advertising – Advertising expense approximated \$19,000 and \$14,000 for the years ended December 31, 2016 and 2015, respectively.

Review for Subsequent Events – In connection with the preparation of the financial statements of ECAD as of and for the year ended December 31, 2016, events and transactions subsequent to December 31, 2016 through May \_\_, 2017, the date the financial statements were available to be issued, have been evaluated by ECAD's management for possible adjustment and or disclosure.

**Note 2 – Investments**

ECAD's investments consist of the following:

	Costs	Fair Value	Unrealized Gains (Losses)
<b>Mutual Funds</b>	<b>\$ 162,154</b>	<b>\$ 157,726</b>	<b>\$ (4,428)</b>
<b>Equity Securities</b>	<b>986</b>	<b>10,676</b>	<b>9,690</b>
<b>Money Market Funds</b>	<b>28,130</b>	<b>28,130</b>	<b>-</b>
	<b><u>\$ 191,270</u></b>	<b><u>\$ 196,532</u></b>	<b><u>\$ 5,262</u></b>

December 31, 2015

	Costs	Fair Value	Unrealized Losses
Mutual Funds	\$ 161,226	\$ 158,075	\$ (3,151)
Equity Securities	8,593	7,826	(767)
Money Market Funds	21,760	21,760	-
	<u>\$ 191,579</u>	<u>\$ 187,661</u>	<u>\$ (3,918)</u>

The fair value of ECAD's cash and cash equivalents, equities and mutual funds are based on Level 1 inputs (see Note 1, "Fair Value of Financial Statements").

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

### Note 3 – Net Assets

Temporarily Restricted Net Assets – Temporarily restricted net assets at December 31, consisted of donations restricted for capital projects:

	<u>2016</u>	<u>2015</u>
Capital projects	<u>\$ 348,447</u>	<u>\$ 127,632</u>

Temporarily restricted net assets of \$279,185 were released for capital projects for the year ended December 31, 2016. Temporarily restricted net assets of \$219,029 were released for capital projects and future operations for the year ended December 31, 2015.

### Note 4 – Vehicle Notes Payable

Long-term debts consists of notes payable on the purchase of two vehicles. At December 31, notes payable are as follows:

	<u>2016</u>	<u>2015</u>
Auto loan obligations, 60 monthly payments of \$584.48 payable through the year 2019, including interest at an effective rate of 5.99%.	\$ 13,979	\$ 19,841
Auto loan obligation, 60 monthly payments of \$543.12, payable through the year 2018, including interest at an effective rate of 4.94%.	<u>7,883</u>	<u>13,852</u>
Total notes payable	<u>21,862</u>	33,693
Less notes payable – current portion	<u>12,499</u>	<u>11,836</u>
Long-term notes payable	<u>\$ 9,363</u>	<u>\$ 21,857</u>

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31</u>	
2017	\$ 12,499
2018	8,230
2019	<u>1,133</u>
	<u>\$ 21,862</u>

### Note 5 – Donated Goods and Services

ECAD receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

### Note 6 – Related Party Transaction

The founders of ECAD have been married to each other for over 35 years, with one serving as the Executive Director and the other serving as the Master Instructor and Client Services Administrator. In addition, their daughter is also employed as Director of Marketing and Communications. There were no amounts due to or due from these related parties as of December 31, 2016 and 2015. ECAD's board of directors approves all compensation paid to management of the organization.

ECAD received contributions in the amount of \$8,050 in 2016 (\$7,500 in 2015) from members of the board of directors. Total contributions are included in grants and donations in the Statement of Activities and Changes in Net Assets.

## **Note 7 – Financial Instruments, Credit Risk and Concentrations**

ECAD's financial instruments that may be subject to concentrations of credit risk consist of cash and investments.

ECAD maintains cash balances in several financial institutions. The balances are insured up to \$250,000 by the Federal Deposit Insurance Commission (FDIC). At times, such balances may be in excess of the FDIC limit. ECAD has \$360,000 in excess of federally insured limits at December 31, 2016 based on bank balances. ECAD has not experienced any losses in its deposit accounts.

The concentration of investments is presented in Note 2.

For the year ended December 31, 2016, \$727,000, representing approximately 47% of ECAD's total revenues and support, was received by four donors.

OTHER FINANCIAL INFORMATION

## Educated Canines Assisting with Disabilities, Inc.

### Schedule of Functional Expenses

Year End December 31, 2016

	Program Services	Management & General	Fundraising	Total
<b>EXPENSES</b>				
Salaries and wages	\$ 420,025	\$ 7,504	\$ 16,242	\$ 443,771
Payroll and related taxes	40,988	732	1,585	43,305
Advertising	22,355	9,038	9,254	40,647
Bank charges	-	9,630	-	9,630
Class supplies and trips	2,465	-	-	2,465
Depreciation	31,508	3,501	-	35,009
Dues and subscriptions	-	14,830	-	14,830
ECADemy expenses	862	-	-	862
Education and conferences	1,586	1,448	-	3,034
Employee benefits	39,132	1,509	976	41,617
Food/dog supplies	26,375	-	-	26,375
Insurance	19,755	4,021	-	23,776
Internet access and web hosting	6,120	680	-	6,800
Interest expense	-	1,839	-	1,839
Kennel expenses	4,471	-	-	4,471
Loss on sale of vehicle	21,070	-	-	21,070
Minor equipment purchases	599	-	-	599
Miscellaneous	3,571	4,099	-	7,670
Office supplies	-	4,072	1,257	5,329
Postage and shipping	10,327	1,148	659	12,134
Professional fees and charges	67,141	7,460	7,439	82,040
Public relations	16,065	1,785	-	17,850
Repairs and maintenance	22,552	1,883	-	24,435
Team training	7,308	-	-	7,308
Telephone	5,656	628	-	6,284
Travel	15,963	-	-	15,963
Transportation and vehicle expenses	22,632	-	-	22,632
Utilities	6,383	-	-	6,383
Veterinary services	37,691	-	-	37,691
<b>TOTAL EXPENSES</b>	<b>\$ 852,600</b>	<b>\$ 75,807</b>	<b>\$ 37,412</b>	<b>\$ 965,819</b>

## Educated Canines Assisting with Disabilities, Inc.

### Schedule of Functional Expenses

Year End December 31, 2015

	Program Services	Management & General	Fundraising	Total
<b>EXPENSES</b>				
Salaries and wages	\$ 614,454	\$ 18,438	\$ 17,474	\$ 650,366
Payroll and related taxes	63,674	1,913	1,811	67,398
Advertising	35,965	14,540	14,888	65,393
Bank charges	-	8,756	-	8,756
Class supplies and trips	1,816	-	-	1,816
Depreciation	43,952	4,884	-	48,836
Dues and subscriptions	-	15,023	-	15,023
ECADemy expenses	1,702	-	-	1,702
Education and conferences	4,494	4,105	-	8,599
Employee benefits	40,957	1,580	1,021	43,558
Food/dog supplies	24,077	-	-	24,077
Gifts and honorariums	270	-	-	270
Insurance	35,559	7,238	-	42,797
Internet access and web hosting	4,674	519	-	5,193
Interest expense	-	3,681	-	3,681
Kennel expenses	5,835	-	-	5,835
Minor equipment purchases	2,581	-	-	2,581
Project heal program	15,600	-	-	15,600
License and registration	1,574	175	-	1,749
Miscellaneous	4,012	4,552	-	8,564
Office supplies	-	5,176	1,597	6,773
Postage and shipping	4,596	511	293	5,400
Professional fees and charges	121,621	13,513	13,475	148,609
Public relations	14,490	1,610	-	16,100
Repairs and maintenance	17,091	1,427	-	18,518
Team training	2,680	-	-	2,680
Telephone	4,750	527	-	5,277
Travel	4,584	-	-	4,584
Transportation and vehicle expenses	24,753	-	-	24,753
Utilities	7,894	-	-	7,894
Veterinary services	28,621	-	-	28,621
<b>TOTAL EXPENSES</b>	<b><u>\$ 1,132,276</u></b>	<b><u>\$ 108,168</u></b>	<b><u>\$ 50,559</u></b>	<b><u>\$ 1,291,003</u></b>