

Audited Financial Statements

Educated Canines Assisting
With Disabilities

December 31, 2015

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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, 2015, and the related 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 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.

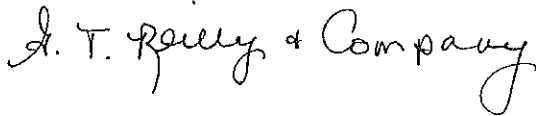
Opinion

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, 2015, 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.

Other Matters

The accompanying financial statements of Educated Canines Assisting With Disabilities as of December 31, 2014 were audited by other auditors whose report dated June 12, 2015, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is 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
April 19, 2016

Educated Canines Assisting with Disabilities, Inc.

Statements of Financial Position
December 31

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Assets				
CURRENT ASSETS				
Cash and cash equivalents	\$ 113,515	\$ 127,632	\$ 394,772	\$ 164,976
Accounts receivable	15,400	-	30,566	-
Prepaid expenses	21,028	-	23,191	-
Inventory	7,494	-	4,180	-
TOTAL CURRENT ASSETS	157,437	127,632	452,709	164,976
OTHER ASSETS				
Investments	187,661	-	-	181,410
Property, plant and equipment:				
Buildings	464,313	-	464,313	-
Equipment	84,732	-	83,577	-
Improvements	25,810	-	18,305	-
Land	31,511	-	31,511	-
Vehicles	238,411	-	238,411	-
Less: accumulated depreciation	(417,186)	-	(368,349)	-
TOTAL OTHER ASSETS	615,252	-	467,768	181,410
	\$ 772,689	\$ 127,632	\$ 920,477	\$ 346,386
Liabilities and Net Assets				
CURRENT LIABILITIES				
Accounts payable	\$ 5,420	\$ -	\$ 80,050	\$ -
Accrued expenses	19,584	-	22,428	-
Deferred revenue	16,950	-	49,938	-
Notes payable- current portion (Note 5)	11,836	-	11,219	-
TOTAL CURRENT LIABILITIES	53,790	-	163,635	-
LONG TERM NOTES PAYABLE (NOTE 5)	21,857	-	33,679	-
NET ASSETS (Notes 2 and 5)				
Unrestricted:				
Undesignated	697,042	-	566,663	-
Board designated	-	-	156,500	-
Temporarily restricted	-	127,632	-	346,386
TOTAL NET ASSETS	697,042	127,632	723,163	346,386
	\$ 772,689	\$ 127,632	\$ 920,477	\$ 346,386

Educated Canines Assisting with Disabilities, Inc.

Statements of Activities and Changes in Net Assets

Year Ended December 31

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUES AND SUPPORT				
Donations and contributions	\$ 660,152	-	\$ 845,375	\$ -
Grant income	150,000	-	-	-
Capital campaign contributions	-	275	132,000	164,976
Team training program	84,988	-	129,002	-
ECADemy program	69,610	-	84,750	-
Day camp income	16,896	-	12,291	-
Merchandise sales, net of costs of \$8,946 in 2015 and \$15,111 in 2014.	3,952	-	1,983	-
Special events	83,375	-	277,955	-
Less: costs of direct benefits to donors	(70,810)	-	(130,219)	-
Donated goods and services	-	-	226,594	-
Other income	42,226	-	35,128	-
Investment income	5,794	-	318	5,703
Net realized and unrealized (loss) gain	(330)	-	-	3,782
Change in value of donated stock	-	-	911	(911)
Net assets released from restrictions	219,029	(219,029)	-	-
TOTAL REVENUES & SUPPORT	1,264,882	(218,754)	1,616,088	173,550
EXPENSES				
Program services	1,132,276	-	1,450,673	-
General and administrative	108,168	-	150,907	-
Fundraising and development	50,559	-	96,653	-
TOTAL EXPENSES	1,291,003	-	1,698,233	-
CHANGE IN NET ASSETS	(26,121)	(218,754)	(82,145)	173,550
NET ASSETS AT BEGINNING OF YEAR	723,163	346,386	805,308	172,836
NET ASSETS AT END OF YEAR	\$ 697,042	\$ 127,632	\$ 723,163	\$ 346,386
				\$ 1,069,549

Educated Canines Assisting with Disabilities, Inc.

Statements of Cash Flows

Year Ended December 31

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (244,875)	\$ 91,405
Adjustments to reconcile changes to net assets to net cash provided from operating activities:		
Depreciation	48,836	55,179
Loss on disposals of property and equipment	-	3,861
Realized and unrealized loss (gain)	330	(3,782)
Donated Stocks	-	(237,345)
Changes in operating assets and liabilities:		
Accounts receivable	15,166	191,483
Prepaid expenses	2,163	(1,343)
Inventory	(3,314)	1,655
Accounts payable	(74,630)	63,871
Accrued expenses	(2,844)	3,268
Deferred revenue	(32,988)	(251,892)
NET CASH USED BY OPERATING ACTIVITIES	<u>(292,156)</u>	<u>(83,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(8,660)	(42,468)
Donated vehicle	-	(27,715)
Purchase of investments	(6,580)	(5,703)
Proceeds from sale of donated stocks	-	238,256
NET CASH (APPLIED TO) PROVIDED FROM INVESTING ACTIVITIES	<u>(15,240)</u>	<u>162,370</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on loans payable	(11,205)	(9,714)
Principal borrowed on vehicle loan	-	29,680
NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES	<u>(11,205)</u>	<u>19,966</u>
RESULTING IN A NET (DECREASE) INCREASE IN CASH	<u>(318,601)</u>	<u>98,696</u>
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>559,748</u>	<u>461,052</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 241,147</u>	<u>\$ 559,748</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	<u>\$ 3,681</u>	<u>\$ 2,579</u>

Educated Canines Assisting With Disabilities

Notes to Financial Statements

December 31, 2015

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.

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, 2015 and 2014.

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.

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).

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

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 priced 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 reasonable use in valuing the securities.

ECAD's carrying amount of cash and cash equivalents approximate fair value under Level I. 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, 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, 2015 and 2014 was \$48,836 and \$55,179, 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, 2015, approximately \$7,500 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 \$14,000 and \$82,000 for the years ended December 31, 2015 and 2014, respectively. For the year ended December 31, 2014, donated advertising services approximated \$109,000, which were recorded in the statement of activities as revenue and a corresponding expense.

Review for Subsequent Events – In connection with the preparation of the financial statements of ECAD as of and for the year ended December 31, 2015, events and transactions subsequent to December 31, 2015 through April 19, 2016, 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:

December 31, 2015

	Costs	Fair Value	Unrealized Gains (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>

December 31, 2014

	Costs	Fair Value	Unrealized Gains (Losses)
Mutual Funds	\$ 161,226	\$ 162,052	\$ 826
Equity Securities	8,245	3,171	(5,074)
Money Market Funds	16,187	16,187	-
	<u>\$ 185,658</u>	<u>\$ 181,410</u>	<u>\$ (4,248)</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

Board-designated Net Assets – Board-designated net assets consisted of prior year surpluses set aside for long-term capital projects and future operations. Board-designated net assets consisted of capital project funds of \$46,500 and \$110,000 for future operations as of December 31, 2014.

During December 2015, the board voted to release the designated net assets and transfer the \$156,500 to unrestricted net assets.

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

	<u>2015</u>	<u>2014</u>
Capital projects	\$ 127,632	\$ 164,976
Future operations	-	181,410
	<u>\$ 127,632</u>	<u>\$ 346,386</u>

Temporarily restricted net assets of \$37,619 and \$181,410 were released for capital projects and future operations for the year ended December 31, 2015, respectively. There was no release of temporarily restricted net assets during the year ended December 31, 2014.

Note 4 – Vehicle Notes Payable

Long-term debts consists of notes payable on the purchase of two vehicles. At December 31, 2015, notes payable are as follows:

Auto loan obligations, 60 monthly payments of \$584.48 payable through the year 2019, including interest at an effective rate of 5.99%.	\$ 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>13,852</u>
Total notes payable	33,693
Less notes payable – current portion	<u>11,836</u>
Long-term notes payable	<u>\$ 21,857</u>

Maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31</u>	
2016	\$ 11,836
2017	12,499
2018	8,230
2019	1,128
	<u>\$ 33,693</u>

Note 5 – Donated Goods and Services

ECAD receives various donated goods and services from certain vendors, media providers, etc., primarily relating to the fee for service programs and dogs' food and health. Donated goods and services of approximately \$228,000 have been recorded and are included in revenue and related expenses. ECAD also receives free use of space from Children's Village; no dollar amount has been assigned.

The Organization 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, 2015 and 2014. ECAD's board of directors approves all compensation paid to management of the organization.

ECAD received contributions in the amount of \$7,500 in 2015 (\$58,124 in 2014) from members of the board of directors. Total contributions are included in special events 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 no amounts in excess of federally insured limits at December 31, 2015. 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, 2015, \$250,000, representing approximately 22% of ECAD's total revenues and support, was received by four donors.

Educated Canines Assisting with Disabilities, Inc.

Schedule of Functional Expenses

Year End December 31, 2015

	Program Services	Management & General	Fundraising	Total
EXPENSES				
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
TOTAL EXPENSES	<u>\$1,132,276</u>	<u>\$ 108,168</u>	<u>\$ 50,559</u>	<u>\$1,291,003</u>

Educated Canines Assisting with Disabilities, Inc.

Schedule of Functional Expenses

Year End December 31, 2014

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 604,224	\$ 23,306	\$ 15,066	\$ 642,596
Payroll and related taxes	51,957	2,004	1,296	55,257
Advertising	105,021	42,457	43,475	190,953
Bad debt	167	-	-	167
Bank charges	-	791	-	791
Class supplies and trips	7,568	-	-	7,568
Depreciation	49,661	5,518	-	55,179
Dues and subscriptions	-	27	-	27
ECADemy expenses	3,042	-	-	3,042
Education and conferences	5,766	5,267	-	11,033
Employee benefits	39,836	1,537	993	42,366
Food/dog supplies	35,111	-	-	35,111
Gifts and honorariums	258	-	-	258
Grant	20	-	-	20
Insurance	31,928	6,500	-	38,428
Internet access and web hosting	36,958	4,106	-	41,064
Interest expense	-	2,579	-	2,579
Kennel expenses	10,251	-	-	10,251
Minor equipment purchases	5,706	-	-	5,706
Project heal program	30,914	-	-	30,914
License and registration	540	60	-	600
Miscellaneous	7,525	8,537	-	16,062
Office supplies	-	9,908	3,058	12,966
Open door training	327	-	-	327
Postage and shipping	14,071	1,564	898	16,533
Professional fees and charges	287,619	31,958	31,867	351,444
Public relations	25,290	2,810	-	28,100
Repairs and maintenance	15,495	1,294	-	16,789
Team training	6,304	-	-	6,304
Telephone	6,162	684	-	6,846
Travel	1,511	-	-	1,511
Transportation and vehicle expenses	24,560	-	-	24,560
Utilities	19,488	-	-	19,488
Veterinary services	23,393	-	-	23,393
TOTAL EXPENSES	<u>\$1,450,673</u>	<u>\$ 150,907</u>	<u>\$ 96,653</u>	<u>\$1,698,233</u>