



**CANINES
FOR
SERVICE**

CANINES FOR SERVICE, INC.

Audited Financial Statements

for the year ended

June 30, 2024

(with comparative totals for 2023)



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bearmancpa

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canines for Service, Inc.
Wilmington, North Carolina

Opinion

We have audited the accompanying financial statements of Canines for Service, Inc. (“Canines for Service”), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canines for Service as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Canines for Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canines for Service’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations,

or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canines for Service's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canines for Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters if we identified any during the audit.

Prior Year Summarized Comparative Information

We have previously audited Canines for Service's 2023 financial statements and our report dated October 12, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bearman CPA PC

Wilmington, North Carolina
October 12, 2024

Canines for Service Inc.
Statement of Financial Position
as of June 30, 2024
(with comparative totals for 2023)

	6/30/24	6/30/23
Assets		
Cash and Cash Equivalents (Note 3c)	\$ 265,589	\$ 297,150
Accounts Receivable (Note 4)	18,365	321,324
Investments (Note 5)	552,172	453,184
Prepaid Expenses	24,856	17,908
Property & Equipment (Note 6)	483,465	437,665
Total Assets	1,344,447	1,527,231
 Liabilities & Net Assets		
Accounts Payable & Accrued Liabilities (Note 7)	63,008	57,450
Note Payable (Note 9)	297,164	312,618
Total Liabilities	360,172	370,068
Net Assets		
Without Donor Restrictions (Note 3b)	984,275	1,102,163
With Donor Restrictions (Note 3b)	-	55,000
Total Net Assets	984,275	1,157,163
Total Liabilities & Net Assets	\$ 1,344,447	\$ 1,527,231

See the Independent Auditor's Report and accompanying notes.

Canines for Service Inc.
Statement of Activities
for the year ended June 30, 2024
(with comparative totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total FY 2023/24	Total FY 2022/23
Revenue				
Private Grants & Contributions (Notes 3d and 4)	\$ 429,303		\$ 429,303	\$ 605,437
Government Grants & Contracts (Notes 3d and 4)	426,623		426,623	469,402
Program Services (Note 3d)	25,981	-	25,981	30,425
Investment Income, net (Note 5)	113,606	-	113,606	58,678
Net Assets Released from Restriction (Note 3b)	55,000	(55,000)	-	-
Total Revenue	1,050,513	(55,000)	995,513	1,163,942
Expense				
Program (Note 3e)	988,218	-	988,218	842,679
Management & General (Note 3e)	55,351	-	55,351	54,535
Fundraising (Note 3e)	124,832	-	124,832	124,052
Total Expense	1,168,401	-	1,168,401	1,021,266
Change in Net Assets	(117,888)	(55,000)	(172,888)	142,676
Net Assets Beginning of Year	1,102,163	55,000	1,157,163	1,014,487
Net Assets End of Year	\$ 984,275	\$ -	\$ 984,275	\$ 1,157,163

See the Independent Auditor's Report and accompanying notes.

Canines for Service Inc.
Statement of Functional Expenses
for the year ended June 30, 2024
(with comparative totals for 2023)

<u>Expense Type</u>	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total FY 2023/24</u>	<u>Total FY 2022/23</u>
Payroll	653,888	15,864	64,057	733,809	628,070
Contracted Services	7,700	27,654	-	35,354	38,879
Dog Welfare & Training	89,341	-	-	89,341	93,416
Occupancy (Note 3h)	63,622	3,349	-	66,971	61,958
Travel, Training & Meetings	58,086	551	2,223	60,860	45,979
Fundraising Event (Note 3e)			50,533	50,533	45,088
Interest (Note 9)	11,137	586	-	11,723	13,592
Insurance	12,127	3,279	-	15,406	12,047
General Operations	73,544	3,080	8,019	84,643	74,889
Depreciation	18,773	988	-	19,761	7,348
Total Expense	\$ 988,218	\$ 55,351	\$ 124,832	\$ 1,168,401	\$ 1,021,266

See the Independent Auditor's Report and accompanying notes.

Canines for Service Inc.
Statement of Cash Flows
for the year ended June 30, 2024
(with comparative totals for 2023)

	FY 2023/24	FY 2022/23
Cash Flows from Operating Activity		
Change in Net Assets	\$ (172,888)	\$ 142,676
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Changes in certain assets and liabilities:		
Accounts Receivable	302,959	(287,502)
Prepaid Expenses	(6,948)	375
Accounts Payable	5,558	1,191
Depreciation	19,761	7,348
Net realized and unrealized (gains) losses on investments	(87,974)	(38,131)
Net Cash Provided by (Used In) Operating Activities	60,468	(174,043)
Cash Flows from Investing Activities		
Purchase of investments, net	(11,014)	(9,945)
Equipment Purchases	(65,561)	(4,048)
Net Cash Used in Investing Activities	(76,575)	(13,993)
Cash Flows from Financing Activities		
Payments on Note Payable	(15,454)	(13,587)
Net Cash Used in Financing Activities	(15,454)	(13,587)
Net Increase (Decrease) in Cash and Cash Equivalents	(31,561)	(201,623)
Cash and Cash Equivalents, beginning of year	297,150	498,773
Cash and Cash Equivalents, end of year	\$ 265,589	\$ 297,150

See the Independent Auditor's Report and accompanying notes.

Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

1. Organization

Canines for Service, Inc., (“CFS”), is a North Carolina nonprofit corporation organized in June 1998. The organization is exempt from income taxes under the Internal Revenue Service Code Section 501(c)(3). As such, contributions to the organization are tax deductible.

2. Mission

CFS seeks to inspire veterans through life-changing canine partnerships. It is the longest running, internationally accredited, service dog provider in North Carolina. Civilian and veteran clients have included those with cerebral palsy, multiple sclerosis, traumatic brain injury, muscular dystrophy, spina bifida, spinal cord injury, stroke, severe heart conditions, arthritis, and post-traumatic stress disorder.

Recognizing a significant need within the Veteran community, CFS shifted its focus to solely serving Veterans in 2018. CFS continues to provide service dogs at no cost or fundraising requirement to Veterans from all conflicts with service-connect PTSD, traumatic brain injuries, mobility challenges, and/or military sexual trauma. To date, CFS has provided more than 100 service dogs across the United States, with over half placed exclusively with Veterans.

3. Summary of Significant Accounting Policies

The organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit organizations using the accrual basis of accounting. As such, revenues are recorded when earned and expenses are recorded when incurred. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

3a. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

3b. Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, “Not-for-Profit Entities,” requires the reporting of an organization’s activities by net asset class. The financial statements report net assets and changes in net assets in two classes that are based upon the existence of restrictions on use that are placed by its donors, as follows:

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Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

Net assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on their use are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

During the year, funds totaling \$55,000 that were initially restricted were expended for their intended purposes and released from restriction. These appear as the line item “Net Assets Released from Restriction” on the Statement of Activities. As of June 30, 2024, the organization held no restricted funds.

3c. Cash and Cash Equivalents

The organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

Liquidity and Availability

As of June 30, 2024, Canines for Service had financial assets (cash, accounts receivable and investments) available for use within one year for general expenditures of \$836,126. In FY 2024, the organization had average daily expenses of \$6,311, excluding depreciation. Therefore, the \$836,126 of available financial assets could theoretically fund operations for 132 days at 2024 expenditure levels.

As part of the organization’s liquidity management plan, cash in excess of daily requirements may be invested in interest-bearing accounts.

3d. Contributions, Grants and Contracts

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless the use of the contributed assets is specifically restricted by the donor (see *Note 3b*, previously).

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Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

Contributed services are only recorded if they meet the requirements for recognition (such as if they require specialized skills and would otherwise have been purchased by the organization). These requirements are outlined in FASB ASC 958-605-25-16, "Contributed Services." While many individuals volunteer significant amounts of time and perform a variety of tasks for the organization, their services do not meet the criteria for recognition and are, therefore, not reflected in the financial statements.

Program revenue is recognized as services are provided to program participants. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

3e. Functional Allocation of Expenses

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis for the following expense categories: payroll and general operations (time and effort); facility-related costs (square footage).

The Statement of Functional Expenses presents these same expenses by both the functional category (program, management and general, and fundraising) and by natural classification (e.g. wages, contracted services).

Management and General activities include the functions necessary to provide support for the organization's program. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Canines for Service hosts occasional special events to raise awareness of its mission and to raise funds for the organization. In recognizing special events revenue, the organization follows the guidance provided by FASB ASC-958-605, *Revenue Recognition*. Canines for Service considers its events to be on-going and central to its operations and therefore records revenues at the gross amount. All costs of the events appear within the fundraising category on the Statement of Functional Expenses.

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Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

3f. Investments

Investments are reported at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains are reported as increases in unrestricted net assets as there are no donor-imposed restrictions upon them. Also see *Note 5, Investments*.

3g. Property & Equipment

Canines for Service capitalizes property and equipment costing more than \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor specifically restricts the asset's use.

3h. Operating Lease Commitments

Canines for Service has elected, as allowed by ASC 842-20-25-2, not to recognize right-of-use assets and lease liabilities for short-term leases (that is, leases with terms of 12 months or less). As such, future scheduled payments under short-term lease arrangements, or the corresponding rights-of-use, are not displayed on the Statement of Financial Position. The organization leases approximately 5,000 square feet of program space from a local landlord under a short-term lease that expires in April 2025. Total rent expense of \$41,908 is included within the line item "Occupancy" on the Statement of Functional Expenses.

4. Grants & Contributions

Canines for Service received approximately 47% of its revenue from a wide variety of funding sources including individuals, businesses, the local government, and private foundations. Also, the organization received \$392,123 (39% of total revenue) from California State University Long Beach Research Foundation as a sub-contractor paid from the federal Wounded Warriors Service Dog Program grant. If a decrease in funding from this federal grant source were ever to occur, it could have a significant impact on CFS's ability to operate its current programs.

Accounts Receivable

The accounts receivable balance of \$18,365 consists primarily of a sales tax refund that will be received in the early part of FY 2025. Management believes all amounts are fully collectible. Accordingly, no provision is made for uncollectible amounts.

See the Independent Auditor's Report

Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

5. Investments

A summary of investments as of June 30, 2024, is as follows:

	Market Value	Cost	Unrealized Gain (Loss)
	-----	-----	-----
Cash & Money Market Accounts	\$ 11,776	\$ 11,776	\$ 0
Equities	429,189	301,484	127,705
Mutual Funds	<u>111,207</u>	<u>119,219</u>	<u>(8,012)</u>
	\$ 552,172	\$ 432,479	\$ 119,693

In establishing the “fair value” of its investments, Canines for Service follows FASB ASC topic 820, *Fair Value Measurements and Disclosures*, which provides a basic hierarchy for measuring fair values. 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 fair values for Canines for Service’s investments are determined by reference to quoted market prices (i.e. level 1 measurements).*

On the Statement of Activities, the line item “Investment Income, net” of \$113,606 consists of dividend and interest income of \$29,693 and unrealized gains of \$89,048 less investments fees of \$4,061 and realized losses of \$1,074.

6. Property & Equipment

The property and equipment balance of \$483,465 is stated at cost and consists of the categories in the following table. Depreciation is computed on a straight-line basis over the useful lives of the assets (5-7 years for vehicles and equipment, 15 to 39 years for buildings and improvements). Depreciation expense totaled \$19,761 and appears as a line item on the Statement of Functional Expenses.

<u>Property & Equipment Summary</u>	
Land	\$ 25,500
Building	449,500
Vehicles & Equipment	<u>166,841</u>
	\$ 641,841
Less accumulated depreciation	<u>(158,376)</u>
Total	\$ 483,465

7. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance of \$63,008 consists of operational accounts payable of \$17,986 and payroll-related liabilities of \$42,337.

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Canines for Service, Inc.
Notes to the Audited Financial Statements
June 30, 2024

8. Line of Credit

CFS maintains a \$50,000 line of credit with Southern Bank. There was no outstanding balance as of June 30, 2024.

9. Long-Term Debt

CFS's debt totals \$297,164 and consists of a 20-year note payable to Southern Bank that matures in 2039. The note is due in monthly installments of \$2,265, including interest at a fixed rate of 3.99% until June 2029 at which time the interest will be recalculated at the 5-Year U.S. Treasury Securities rate plus 2%. The loan is secured by the property at 221 Old Dairy Road, Wilmington, North Carolina.

Future scheduled maturities of long-term debt are as follows:

2024/25	\$ 15,604
2025/26	16,239
2026/27	16,898
2027/28	17,585
2028/29	18,300
Beyond	<u>212,538</u>
Total	<u>\$ 297,164</u>

10. Income Taxes

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Additionally, it does not generate business income unrelated to its exempt purpose and therefore has made no provision for income taxes or uncertain tax positions in the financial statements. There are no federal or state tax audits of the organization in progress and Canines for Service believes it is not subject to tax examinations for fiscal years prior to 2022.

11. Subsequent Events

Canines for Service has evaluated events that have occurred subsequent to the statement of financial position date (June 30, 2024) and through the date that the Independent Auditor's Report was available to be issued (October 12, 2024). No events have occurred during that period that would require adjustments to the audited financial statements or disclosure in these notes.

See the Independent Auditor's Report