

*AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.*

*FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT*

*FOR THE YEARS ENDED JUNE 30, 2015 AND 2014*

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*AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.*

***FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
America's VetDogs - The Veteran's K-9 Corps, Inc.  
371 East Jericho Turnpike  
Smithtown, New York, 11787

### **Report on the Financial Statements**

We have audited the accompanying financial statements of America's VetDogs - The Veteran's K-9 Corps, Inc. (a not-for-profit corporation, "America's Vet Dogs"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 audits. We conducted our audits 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 America's VetDogs - The Veteran's K-9 Corps, Inc. as of June 30, 2015 and 2014, 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.

*Cerini & Associates LLP*

September 30, 2015  
Bohemia, New York

**AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30,**

**2015**

**2014**

<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2).....	\$ 187,912	\$ 160,985
Contributions receivable (Note 4).....	547,940	569,813
	<b>TOTAL ASSETS</b>	<b>\$ 730,798</b>
<b>LIABILITIES AND NET DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses.....	\$ 28,340	\$ 77,743
Due to affiliate (Note 3).....	909,452	894,987
Deferred revenue.....	113,835	104,250
	<b>TOTAL LIABILITIES</b>	<b>1,076,980</b>
Commitments and contingencies (Notes 2, 3, and 4)		
<b>Net Assets (Deficit) (Note 5):</b>		
Unrestricted (deficit).....	(480,638)	(648,867)
Temporarily restricted (Notes 4 and 5).....	164,863	302,685
	<b>TOTAL NET DEFICIT</b>	<b>(346,182)</b>
	<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<b>\$ 730,798</b>

**AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>SUPPORT AND REVENUE:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions (Notes 3 and 4).....	\$ 2,631,793	\$ 271,420	\$ 2,903,213
Bequests and legacies.....	127,990	-	127,990
Interest and dividends.....	814	-	814
Other.....	15,112	-	15,112
Gross proceeds from special events .....	283,947	-	283,947
Less: direct benefits to donors.....	(56,494)	-	(56,494)
Net proceeds from special events.....	227,453	-	227,453
Net assets released from restrictions.....	409,242	(409,242)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,412,404</u>	<u>(137,822)</u>	<u>3,274,582</u>
 <b>EXPENSES:</b>			
Program Services:			
Dog training.....	1,376,261	-	1,376,261
Breeding and puppy program.....	478,201	-	478,201
Student related services.....	348,720	-	348,720
Public education.....	319,722	-	319,722
<b>TOTAL PROGRAM SERVICES</b>	<u>2,522,904</u>	<u>-</u>	<u>2,522,904</u>
Supporting Services:			
Management and General.....	204,665	-	204,665
Fundraising.....	516,912	-	516,912
<b>TOTAL SUPPORTING SERVICES</b>	<u>721,577</u>	<u>-</u>	<u>721,577</u>
<b>TOTAL EXPENSES</b>	<u>3,244,481</u>	<u>-</u>	<u>3,244,481</u>
<b>CHANGE IN NET DEFICIT FROM OPERATIONS</b>	167,923	(137,822)	30,101
Realized gain on investments.....	306	-	306
<b>CHANGE IN NET (DEFICIT) / ASSETS</b>	168,229	(137,822)	30,407
Net (deficit)/assets, beginning of year.....	(648,867)	302,685	(346,182)
Net (deficit)/assets, end of year.....	<u>\$ (480,638)</u>	<u>\$ 164,863</u>	<u>\$ (315,775)</u>

**AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>SUPPORT AND REVENUE:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions (Notes 3 and 4).....	\$ 2,310,837	\$ 55,893	\$ 2,366,730
Bequests and legacies.....	32,387	-	32,387
Interest and dividends.....	839	-	839
Other.....	17,412	-	17,412
Gross proceeds from special events .....	283,293	-	283,293
Less: direct benefits to donors.....	<u>(68,163)</u>	<u>-</u>	<u>(68,163)</u>
Net proceeds from special events.....	215,130	-	215,130
Net assets released from restrictions.....	138,653	(138,653)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>2,715,258</u>	<u>(82,760)</u>	<u>2,632,498</u>
 <b>EXPENSES:</b>			
Program Services:			
Dog training.....	1,018,318	-	1,018,318
Breeding and puppy program.....	341,217	-	341,217
Student related services.....	237,595	-	237,595
Public education.....	236,317	-	236,317
<b>TOTAL PROGRAM SERVICES</b>	<u>1,833,447</u>	<u>-</u>	<u>1,833,447</u>
Supporting Services:			
Management and General.....	140,997	-	140,997
Fundraising.....	479,515	-	479,515
<b>TOTAL SUPPORTING SERVICES</b>	<u>620,512</u>	<u>-</u>	<u>620,512</u>
<b>TOTAL EXPENSES</b>	<u>2,453,959</u>	<u>-</u>	<u>2,453,959</u>
 <b>CHANGE IN NET DEFICIT FROM OPERATIONS</b>	 261,299	 (82,760)	 178,539
Realized loss on investments.....	<u>(672)</u>	<u>-</u>	<u>(672)</u>
<b>CHANGE IN NET (DEFICIT)/ASSETS</b>	260,627	(82,760)	177,867
Net (deficit)/assets, beginning of year.....	<u>(909,494)</u>	<u>385,445</u>	<u>(524,049)</u>
Net (deficit)/assets, end of year.....	<u>\$ (648,867)</u>	<u>\$ 302,685</u>	<u>\$ (346,182)</u>

AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services					Supporting Services			Total Program and Supporting Services
	Dog Training	Breeding and Puppy Program	Student Related Services	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Shared professional services.....	\$ 994,100	\$ 191,561	\$ 213,570	\$ 172,967	\$ 1,572,198	\$ 167,424	\$ 66,309	\$ 233,733	\$ 1,805,931
Outside professional fees.....	7,984	171,181	10,356	7,867	197,388	7,887	7,874	15,761	213,149
Office expenses.....	5,797	4,665	7,239	89,616	107,317	2,106	427,266	429,372	536,689
Facility usage.....	168,921	83,696	77,213	10,998	340,828	24,095	11,517	35,612	376,440
Dog expenses.....	-	1,384	-	-	1,384	-	-	-	1,384
Kennel expenses.....	116,828	10,270	511	-	127,609	-	-	-	127,609
Student expenses.....	1	-	16,639	-	16,640	-	-	-	16,640
Operational expenses.....	39,260	5,850	5,118	5,552	55,780	1,431	1,185	2,616	58,396
Travel and meetings.....	43,094	9,411	17,648	750	70,903	1,673	1,271	2,944	73,847
Miscellaneous.....	276	183	426	31,972	32,857	49	1,490	1,539	34,396
<b>TOTAL EXPENSES</b>	<u>\$ 1,376,261</u>	<u>\$ 478,201</u>	<u>\$ 348,720</u>	<u>\$ 319,722</u>	<u>\$ 2,522,904</u>	<u>\$ 204,665</u>	<u>\$ 516,912</u>	<u>\$ 721,577</u>	<u>\$ 3,244,481</u>



STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services					Supporting Services			Total Program and Supporting Services
	Dog Training	Breeding and Puppy Program	Student Related Services	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Shared professional services.....	\$ 697,282	\$ 136,332	\$ 145,974	\$ 113,591	\$ 1,093,179	\$ 111,686	\$ 47,784	\$ 159,470	\$ 1,252,649
Outside professional fees.....	6,811	100,610	8,625	7,044	123,090	6,826	6,872	13,698	136,788
Office expenses.....	4,599	3,780	3,446	69,977	81,802	2,263	411,984	414,247	496,049
Facility usage.....	126,611	58,948	53,125	8,639	247,323	16,718	6,182	22,900	270,223
Dog expenses.....	-	2,217	-	-	2,217	-	-	-	2,217
Kennel expenses.....	105,765	26,302	1,189	-	133,256	-	-	-	133,256
Student expenses.....	-	-	13,229	-	13,229	-	-	-	13,229
Operational expenses.....	45,793	6,179	3,558	4,621	60,151	1,570	1,270	2,840	62,991
Travel and meetings.....	31,036	6,741	8,370	6,439	52,586	1,934	2,232	4,166	56,752
Miscellaneous.....	421	108	79	26,006	26,614	-	3,191	3,191	29,805
<b>TOTAL EXPENSES</b>	<u>\$ 1,018,318</u>	<u>\$ 341,217</u>	<u>\$ 237,595</u>	<u>\$ 236,317</u>	<u>\$ 1,833,447</u>	<u>\$ 140,997</u>	<u>\$ 479,515</u>	<u>\$ 620,512</u>	<u>\$ 2,453,959</u>

**AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net deficit.....	\$ 30,407	\$ 177,867
<u>Adjustments to reconcile change in net deficit to net cash (used in)/ provided by operating activities:</u>		
Realized (gain)/loss on sale of investments.....	(306)	672
Contributed investments.....	(83,178)	(35,082)
<u>Changes in operating assets and liabilities:</u>		
Contributions receivable.....	21,873	136,853
Accounts payable and accrued expenses.....	(49,403)	56,760
Due to affiliate.....	14,465	(326,213)
Deferred revenue.....	9,585	15,700
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>(56,557)</b>	<b>26,557</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from the sale of investments.....	83,484	34,410
Net change in cash and cash equivalents.....	26,927	60,967
Cash and cash equivalents, beginning of year.....	160,985	100,018
Cash and cash equivalents, end of year.....	<u>\$ 187,912</u>	<u>\$ 160,985</u>

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of America's VetDogs - The Veteran's K-9 Corps, Inc. ("America's VetDogs") is presented to assist in understanding America's VetDogs financial statements. The financial statements and notes are representations of America's VetDogs' management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization: America's VetDogs was established to help those who have served our country honorably to live with dignity and independence, whether they are visually impaired or have other special needs, by using guide dogs, service dogs, and innovative technologies.

America's VetDogs is a related organization of the Guide Dog Foundation and has the ability to raise funds and target services to the military and veterans. America's VetDogs is managed and operated by the Guide Dog Foundation under the direction of America's VetDogs' Board of Directors.

Income Tax Status: America's VetDogs is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported. America's VetDogs is also exempt from state and local taxes. America's VetDogs' management has evaluated for uncertain tax positions and determined that there were no uncertain tax positions for 2015 and 2014.

America's VetDogs is supported by donations from the general public. America's VetDogs files a Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by federal, state, and local authorities and the tax returns for the years ended June 30, 2015, 2014, 2013, and 2012 are open for potential examination. Management of America's VetDogs believes that they have registered in all states where their activities require they be registered.

Basis of Accounting: These financial statements are presented on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as they apply to not-for-profit organizations. America's VetDogs is required to report 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of America's VetDogs and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by America's VetDogs. Generally, the donors of these assets would permit America's VetDogs to use all or part of the income earned on any related investments for general or specific purposes. America's VetDogs had no permanently restricted net assets at June 30, 2015 and 2014.

Estimates: The preparation of financial statements in conformity with the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For financial statement purposes, America's VetDogs considers all highly liquid financial instruments with original maturities of three months or less from the date of purchase to be cash equivalents.

Revenue Recognition: Unrestricted contributions, bequests and legacies are recognized as revenue when the gift or cash is pledged or received. Contributed investments are recorded at their fair market value on the date of the contribution.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to America's VetDogs that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Bequests and Legacies: America's VetDogs has adopted the following policy regarding revenue recognition of bequests and legacies:

In instances, where the value of the estate is made available to America's VetDogs, assets and revenue are recorded on the books in the amount of the estimated fair market value, net of estimated fees and estate taxes. The collectability of the bequest receivable balance is evaluated on an annual basis and the balance is adjusted accordingly to reflect any fluctuations in the market value.

In instances where America's VetDogs has been notified that they will be receiving a bequest, however the value of the bequeathed estate is not known and cannot be reasonably estimated as of the statement of financial position date, revenue is recorded at such time as the amount of the bequest becomes estimable.

Most bequests are settled within two years, as such no discount has been provided to fair value such bequests to current value.

**AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred Revenue: America's VetDogs recognizes, as deferred revenue, any contributions received in advance of the following year's special events. Revenue is recognized at the time the special event takes place.

Functional Expenses: Functional expenses for shared costs have been allocated between program services and support services based on an analysis of personnel time, space utilized, number of dogs placed during the year and other equitable bases for the related activities.

Events Occurring After Report Date: America's VetDogs has evaluated events and transactions that occurred between July 1, 2015 and September 30, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

America's VetDogs maintains cash in bank accounts with what it believes to be quality financial institutions which are insured by the Federal Deposit Insurance Corporation. America's VetDogs has not incurred any losses in such accounts to date.

At June 30, 2015 and 2014, approximately 25% and 35%, respectively, of the total ending contributions receivable were attributable to the minimum guaranteed royalty payments under America's VetDogs' brand licensing agreements (refer to Note 4).

**NOTE 3 - RELATED PARTY TRANSACTIONS**

Guide Dog Foundation and America's VetDogs have overlapping missions and operations, whereby the costs of running both entities are shared, with the majority of all costs being paid by the Guide Dog Foundation. As a result, costs are allocated to America's VetDogs based upon the number of America's VetDogs teams placed during the year. For the years ended June 30, 2015 and 2014, Guide Dog Foundation allocated costs of \$2,596,984 and \$1,804,888, respectively, to America's VetDogs, which were charged to America's VetDogs through an intercompany obligation. As of June 30, 2015 and 2014, America's VetDogs owed Guide Dog Foundation \$909,452 and \$894,987, respectively.

**NOTE 4 - ROYALTY REVENUE**

During prior years, America's VetDogs entered into three merchandise licensing agreements granting the manufacturers a license to use America's VetDogs' trademark in connection with the production, promotion, and sale of certain dog related products. Under the terms of the contracts certain royalties are guaranteed to America's VetDogs regardless of future sales volume. Additionally to assist America's VetDogs with implementation and management of a sustainable licensing program, MODA International Marketing Inc. was retained by America's VetDogs.

AMERICA'S VETDOGS - THE VETERAN'S K-9 CORPS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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**NOTE 4 - ROYALTY REVENUE (continued)**

As of June 30, 2015, \$135,363 of guaranteed minimum royalty payments were included in the contributions receivable and classified as temporarily restricted net assets.

During fiscal 2014, one of the royalty contracts was amended, removing a category resulting in a \$5,250 reduction of guaranteed minimum royalty payments representing payments of \$7,500, net of related licensing fees of \$2,250. Additionally during fiscal 2014, an option to extend a different segment of the same royalty contract was exercised and America's VetDogs recorded as revenue the full amount of the additional guaranteed minimum royalties of \$10,500 representing payments of \$15,000, net of related licensing fees of \$4,500. During the year ended June 30, 2014, one of the royalty contracts ended and all of the related minimum royalties were paid in full. As of June 30, 2014, \$201,808 of guaranteed minimum royalty payments were included in the contributions receivable and classified as temporarily restricted net assets.

**NOTE 5 - NET ASSETS**

Temporarily Restricted Net Assets

America's VetDogs receives grants and contributions that are primarily restricted for use in specific programs and causes aligned with America's VetDogs' mission. During fiscal 2015 and 2014, America's VetDogs received \$271,420 and \$55,893, respectively in such restricted contributions and disbursed \$409,242 and \$138,653 respectively.

Net assets from grants and contributions, were restricted for the following purposes at June 30,:

	<b>2015</b>	<b>2014</b>
Brand Licensing .....	\$ 135,363	\$ 201,808
Other.....	29,500	100,877
Total .....	<u>\$ 164,863</u>	<u>\$ 302,685</u>