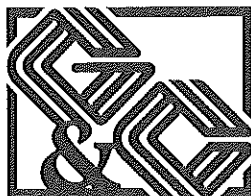


Guide Dogs of Texas, Inc.

Financial Statements

December 31, 2015

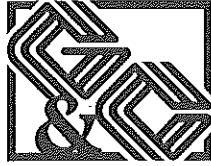


GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Guide Dogs of Texas, Inc.

Table of Contents

Independent Auditor's Report	1
Statement of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
Guide Dogs of Texas, Inc.

We have audited the accompanying financial statements of Guide Dogs of Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guide Dogs of Texas, Inc. 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.


Gregory & Crutchfield, LLC

San Antonio, Texas
July 26, 2016

Guide Dogs of Texas, Inc.
Statement of Financial Position
December 31, 2015

Assets

Assets	
Cash	\$ 385,771
Pledges receivable, net	52,880
Accounts receivable - other	8,501
Prepaid expenses	12,067
Deposit	250
Land	140,184
Property and equipment, net	565,689
Deferred financing costs, net	<u>3,943</u>
 Total assets	 <u><u>1,169,285</u></u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	6,506
Accrued expenses	12,801
Note payable - current portion	<u>10,941</u>
Total current liabilities	30,248
Long term liabilities	
Note payable - long term portion	<u>86,177</u>
Total long term liabilities	86,177
Total liabilities	116,425
Net assets	
Unrestricted	958,908
Temporarily restricted	88,852
Permanently restricted	<u>5,100</u>
Total net assets	1,052,860
Total liabilities and net assets	<u><u>\$ 1,169,285</u></u>

Guide Dogs of Texas, Inc.
Statement of Activities and Changes in Net Assets
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions and grants	\$ 518,517	\$ 209,343	\$ 5,100	\$ 732,960
Special fundraising events, net of expense of \$8,184	18,566	-	-	18,566
Donated services	14,557	-	-	14,557
Other income	6,040	-	-	6,040
Net assets released from restriction	310,761	(310,761)	-	-
Total support and revenue	868,441	(101,418)	5,100	772,123
Expenses				
Program services	546,902	-	-	546,902
Fundraising	92,298	-	-	92,298
Management and general	79,895	-	-	79,895
Total expenses	719,095	-	-	719,095
Change in net assets	149,346	(101,418)	5,100	53,028
Net assets - beginning of year	809,562	190,270	-	999,832
Net assets - end of year	<u>\$ 958,908</u>	<u>\$ 88,852</u>	<u>\$ 5,100</u>	<u>\$ 1,052,860</u>

Guide Dogs of Texas, Inc.
Statement of Functional Expenses
For the year ended December 31, 2015

	Program Services	Fundraising	Management & General	Total
Salaries and wages	\$ 259,011	\$ 52,281	\$ 20,216	\$ 331,508
Payroll taxes and benefits	25,298	4,490	1,731	31,519
Total salaries and related expenses	284,309	56,771	21,947	363,027
Advertising and cultivation	4,826	13,564	3,775	22,165
Amortization	-	-	469	469
Bank charges	27	32	3,311	3,370
Conferences and meetings	1,742	50	4	1,796
Dog food	9,115	-	-	9,115
Dues and subscriptions	3,821	1,083	179	5,083
Equipment	3,217	74	30	3,321
Facility	13,311	553	934	14,798
Insurance	28,886	-	1,138	30,024
Interest	232	1	7,984	8,217
IT support and web maintenance	322	35	14	371
Meals	4,677	250	393	5,320
Office supplies	10,840	1,778	1,039	13,657
Postage and shipping	12,331	6,433	799	19,563
Printing and publications	6,980	4,033	793	11,806
Professional fees	20,282	4,000	34,256	58,538
Program supplies	17,204	-	-	17,204
Telephone	4,403	751	323	5,477
Travel	12,632	-	-	12,632
Utilities	11,354	570	324	12,248
Vehicle expenses	15,852	-	-	15,852
Veterinary	27,623	-	-	27,623
Total expenses before depreciation	209,677	33,207	55,765	298,649
Depreciation	52,916	2,320	2,183	57,419
Total expenses	\$ 546,902	\$ 92,298	\$ 79,895	\$ 719,095

Guide Dogs of Texas, Inc.
Statement of Cash Flows
For the year ended December 31, 2015

Cash flows from operating activities:

Increase in net assets	\$ 53,028
Adjustments to reconcile change in nets assets to cash provided operating activities:	
Depreciation & amortization	57,888
(Increase) / decrease in:	
Pledges receivable	10,025
Accounts receivable	6,007
Prepaid expenses	4,429
Deferred financing costs	469
Increase / (decrease) in:	
Accounts payable	(7,753)
Accrued expenses	424
Net cash provided by operating activities	124,517
Cash flows used in investing activities:	
Purchases of equipment	(16,671)
Net cash used in investing activities	(16,671)
Cash flows used in financing activities:	
Repayment of note payable	(15,000)
Net cash used in financing activities	(15,000)
Net increase in cash	92,846
Cash and cash equivalents - beginning of year	292,925
Cash and cash equivalents - end of year	\$ 385,771

Supplemental disclosure:

Interest paid	8,217
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Guide Dogs of Texas, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2015

Note 1 – The Organization

Guide Dogs of Texas, Inc. (GDTx or Organization) is a nonprofit organization incorporated under the laws of the State of Texas on February 14, 1989. The Organization provides quality guide dogs for Texans who are visually impaired, to increase their freedom, mobility and independence. To achieve these results, the Organization uses a highly personalized process which selectively identifies and raises puppies, extensively trains and matches dogs with visually impaired persons, and trains them together to become an effective team. The Organization monitors and counsels the teams in their home communities within Texas. GDTx is accredited by the International Federation of Guided Dogs which is a distinction of quality and a mark of assurance that methods and standards of operations are maintained and continually improved. The Organization also works with Alamo Council of the Blind, The National Federation of the Blind, San Antonio Independent Living Services, Texas Commission for the Blind, and Region 20 of the Texas Education Agency.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions or assets restricted solely through actions of the Board of Directors (Board) are reported as unrestricted net assets. Board-designated net assets represent amounts subject to Board-imposed restrictions that will be met by actions of the Organization.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time are reported as temporarily restricted net assets. 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 the assets be maintained permanently by the Organization are reported as permanently restricted net assets. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

As of December 31, 2015 permanently restricted net assets consisted of an endowment in the amount of \$5,100 with only interest or dividends earned on the principal may be used.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting year. Actual results could differ from those estimates.

Guide Dogs of Texas, Inc.
Notes to Financial Statements
December 31, 2015

Note 2 – Summary of Significant Accounting Policies - *continued*

Property and Equipment – All property and equipment is valued at historical cost or estimated fair market value at date of donation. Expenditures for betterments and all furniture and equipment greater than \$5,000 that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method or double declining balance over the estimated useful lives of the related asset, which is generally five to seven years for furniture and equipment, and 39 years for buildings and improvements.

Tax Exempt Status – Guide Dogs of Texas, Inc. is a tax-exempt organization under Internal Revenue Code (the Code) Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements. In addition, the Organization is not a “private foundation” within the meaning of Section 509(a) of the code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Organization is not subject to the Texas margin tax.

Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last four years remain subject to examination.

Cash and Cash Equivalents – Cash and cash equivalents consist of unrestricted cash on hand, demand deposits held by financial institutions and any equivalent securities with a maturity of three months or less.

Pledges Receivable – Legally enforceable pledges and contributions, less an allowance for uncollectible amounts, are recorded as receivables in the year made unless the pledge or contribution is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. The amount reported is net of an allowance for doubtful accounts of \$4,735 at December 31, 2015.

Donated Services, Material, and Facilities – The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in puppy raising and fundraising events. For these types of donated services no amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort under GAAP have not been satisfied. Donated materials and other services are valued based on their estimated fair market value on the date of contribution (*See Note 6*).

Functional Expenses – The costs of providing the services and other activities of the Organization have been summarized on a functional basis in the Statement of Activities. Functional expenses are allocated on the basis of estimates by management. These estimates are based primarily on the nature of the expense concerned and percentages of time allocated to program services, fundraising, and management and general.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and pledges receivables. Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing accounts. The Organization places its cash with financial institutions and limits the amount of credit exposure, although it may from time-to-time have cash balances or

Guide Dogs of Texas, Inc.
Notes to Financial Statements
December 31, 2015

Note 2 – Summary of Significant Accounting Policies - *continued*

investments in excess of that insured by the FDIC.

Pledges receivable are with various donors obtained through the cultivation of a relationship over the last three years. Management believes its risk of loss is minimized due to the diversity of the underlying pledges.

Revenue Recognition – Revenue is recognized when earned. Contributions are reported when an unconditional promise to give or other asset is received. Gifts of securities are recorded at their fair market value when received.

Contributions – The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Pledges – Unconditional pledges are recognized in the year made. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met, or when the possibility that the condition will not be met is remote.

Special Events – Direct expenses benefiting donors associated with special events fundraising are netted against related revenue.

Subsequent Events – Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncements – Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

Loan Fees – Costs incurred in connection with the procuring of long-term debt have been capitalized under the caption 'Deferred financing costs'. These costs are amortized over the life of the loan of 10 years using the straight-line method.

Guide Dogs of Texas, Inc.
Notes to Financial Statements
December 31, 2015

Note 3 – Pledges Receivable

Pledges receivables are scheduled to be collected as follows at December 31, 2015:

Receivable in less than one year	\$ 29,730
Receivable in one to five years	27,885
Total pledges receivable	<u>57,615</u>
Less allowance for uncollectible pledges	<u>(4,735)</u>
Pledges receivable, net of allowance	<u>\$ 52,880</u>

Note 4 – Property and Equipment

Property and equipment consist of the following at December 31, 2015:

Building and improvements	\$ 642,409
Furniture and fixtures	98,275
Vehicles	161,702
Website	<u>10,161</u>
Total property and equipment	912,547
Less accumulated depreciation	<u>(346,858)</u>
Total property and equipment, net of depreciation	<u>\$ 565,689</u>

Note 5 – Note payable

The Organization's long-term notes payable at December 31, 2015 consist of the following:

Broadway National Bank Loan – dated June 5, 2013 for \$21,515, annual interest rate of 2.99%, 36 monthly principal and interest payments of \$626 beginning July 5, 2013. Secured by 2012 Ford Econoline.	3,105
Accion Texas, Inc. Loan – dated July 30, 2014 for \$103,220, annual interest rate of 8%, 119 monthly principal and interest payments of \$1,256 beginning September 13, 2014. Secured by NCB 11692 BLK 1 LOT 1 Guide Dogs of Texas Subdivision.	<u>94,013</u>
Total notes payable	\$97,118
Less: current portion of long-term notes payable	<u>10,941</u>
Total long-term notes payable	<u>\$86,177</u>

Guide Dogs of Texas, Inc.
Notes to Financial Statements
December 31, 2015

Note 5 – Note payable - *continued*

The following is a summary of principal maturities of long-term debt:

	<u>12/31/15</u>
2016	10,941
2017	8,486
2018	9,191
2019	9,954
2020 and thereafter	<u>58,546</u>
Total	<u>\$ 97,118</u>

Note 6 – Donated Services

Donated services (in-kind) reported in the Statement of Activities at December 31, 2015:

IT support	\$1,240
Veterinary	6,177
Fundraising	5,564
Miscellaneous	168
Benefit exp.	<u>1,408</u>
Total	<u>\$ 14,557</u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2015:

Pledges receivable	\$ 2,352
Restricted grants	<u>86,500</u>
Total temporarily restricted net assets	<u>\$ 88,852</u>
Released from restrictions	<u>\$310,761</u>

Note 8 - Litigation

The Organization's management is not aware of any pending claim against it.

Note 9 – 403(b) Qualified Retirement Plan

Effective January 1, 2012, the Organization established a 403(b) qualified retirement plan for the benefit of its employees. The Organization will match up to 6% of an employee's salary. The Company contributed \$2,389 to the plan during the period ended December 31, 2015. The plan was terminated in March 2015.

Guide Dogs of Texas, Inc.
Notes to Financial Statements
December 31, 2015

Note 10 – Fair Value Measurements

FASB ASC 820-10, "Fair Value Measurements and Disclosures," provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to value fair value. The hierarchy gives the highest priority to adjusting quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 – Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include: (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the assets or liability and (4) inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has specified (contractual) terms, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's asset or liability fair value measurement level within the fair value hierarchy is based upon level 1.