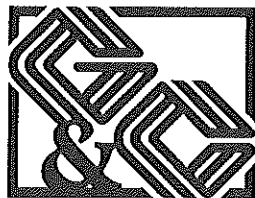


**Guide Dogs of Texas, Inc.**

**Financial Statements**

**December 31, 2016**

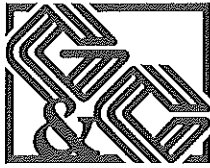


**GREGORY & CRUTCHFIELD, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Guide Dogs of Texas, Inc.**

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**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, 2016, 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, 2016, 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 19, 2017

**Guide Dogs of Texas, Inc.**  
**Statement of Financial Position**  
**December 31, 2016**

Assets	
Assets	
Cash	\$ 131,353
Pledges receivable, net	35,730
Accounts receivable - other	31,464
Prepaid expenses	13,133
Deposit	250
Land	140,184
Property and equipment, net	<u>511,533</u>
 Total assets	 <u><u>863,647</u></u>
 Liabilities and Net Assets	
Current liabilities	
Accounts payable	1,329
Accrued expenses	<u>12,957</u>
Total current liabilities	14,286
 Long term liabilities	
Total long term liabilities	<u>-</u>
 Total liabilities	 14,286
 Net assets	
Unrestricted	772,332
Temporarily restricted	71,929
Permanently restricted	<u>5,100</u>
Total net assets	849,361
 Total liabilities and net assets	 <u><u>\$ 863,647</u></u>

**Guide Dogs of Texas, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the year ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions and grants	\$ 507,966	\$ 71,928	\$ -	\$ 579,894
Special fundraising events	2,817	-	-	2,817
Donated services	15,507	-	-	15,507
Other income	14,582	-	-	14,582
Net assets released from restriction	88,851	(88,851)	-	-
<b>Total support and revenue</b>	<b>629,723</b>	<b>(16,923)</b>	<b>-</b>	<b>612,800</b>
Expenses				
Program services	660,248	-	-	660,248
Fundraising	63,730	-	-	63,730
Management and general	92,321	-	-	92,321
<b>Total expenses</b>	<b>816,299</b>	<b>-</b>	<b>-</b>	<b>816,299</b>
<b>Change in net assets</b>	<b>(186,576)</b>	<b>(16,923)</b>	<b>-</b>	<b>(203,499)</b>
Net assets - beginning of year	958,908	88,852	5,100	1,052,860
<b>Net assets - end of year</b>	<b>\$ 772,332</b>	<b>\$ 71,929</b>	<b>\$ 5,100</b>	<b>\$ 849,361</b>

**Guide Dogs of Texas, Inc.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2016**

	Program Services	Fundraising	Management & General	Total
Salaries and wages	\$ 343,099	\$ 22,873	\$ 15,250	\$ 381,222
Payroll taxes and benefits	32,958	2,035	3,899	38,892
<b>Total salaries and related expenses</b>	<b>376,057</b>	<b>24,908</b>	<b>19,149</b>	<b>420,114</b>
Advertising and cultivation	30,739	6,744	3,654	41,137
Amortization	-	-	3,943	3,943
Bank charges	51	48	3,830	3,929
Conferences and meetings	6,968	1,477	11	8,456
Dog food	11,944	-	-	11,944
Dues and subscriptions	2,584	2,537	1,269	6,390
Equipment	986	47	40	1,073
Facility	10,666	439	549	11,654
Insurance	30,993	1,926	2,123	35,042
Interest	23	-	6,301	6,324
IT support and web maintenance	152	10	6	168
Meals	4,646	878	245	5,769
Office supplies	7,091	459	2,859	10,409
Postage and shipping	3,130	1,799	2,882	7,811
Printing and publications	6,711	16,621	227	23,559
Professional fees	11,226	749	38,172	50,147
Program supplies	12,098	372	1,198	13,668
Recruitment	-	-	2,000	2,000
Telephone	6,042	391	281	6,714
Travel	10,848	840	144	11,832
Utilities	13,897	495	1,584	15,976
Vehicle expenses	18,044	596	702	19,342
Veterinary	42,439	-	-	42,439
<b>Total expenses before depreciation</b>	<b>231,278</b>	<b>36,428</b>	<b>72,020</b>	<b>339,726</b>
Depreciation	52,913	2,394	1,152	56,459
<b>Total expenses</b>	<b>\$ 660,248</b>	<b>\$ 63,730</b>	<b>\$ 92,321</b>	<b>\$ 816,299</b>

**Guide Dogs of Texas, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2016**

Cash flows from operating activities:

Decrease in net assets	\$ (203,499)
Adjustments to reconcile change in nets assets to cash used in operating activities:	
Depreciation & amortization	60,402
(Increase) / decrease in:	
Pledges receivable	17,150
Accounts receivable	(22,963)
Prepaid expenses	(1,066)
Deferred financing costs	3,943
Increase / (decrease) in:	
Accounts payable	(5,177)
Accrued expenses	<u>156</u>
Net cash used in operating activities	(151,054)
Cash flows used in investing activities:	
Purchases of equipment	<u>(2,303)</u>
Net cash used in investing activities	(2,303)
Cash flows used in financing activities:	
Repayment of note payable	<u>(101,061)</u>
Net cash used in financing activities	(101,061)
Net decrease in cash	(254,418)
Cash and cash equivalents - beginning of year	<u>385,771</u>
Cash and cash equivalents - end of year	<u><u>\$ 131,353</u></u>

Supplemental disclosure:

Interest paid	6,324
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**Guide Dogs of Texas, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2016**

**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, 2016, permanently restricted net assets consisted of an endowment in the amount of \$5,100 with only interest or dividends earned on the principal available for use.

**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, 2016**

**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, 2016.

**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 5*).

**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, 2016**

**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** – In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and

**Guide Dogs of Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

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

disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early application permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

**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 using the straight-line method.

**Note 3 – Pledges Receivable**

Pledges receivables are scheduled to be collected as follows at December 31, 2016:

Receivable in less than one year	\$ 23,950
Receivable in one to five years	16,515
Total pledges receivable	<u>40,465</u>
Less allowance for uncollectible pledges	<u>(4,735)</u>
Pledges receivable, net of allowance	<u>\$ 35,730</u>

**Note 4 – Property and Equipment**

Property and equipment consist of the following at December 31, 2016:

Building and improvements	\$ 644,712
Furniture and fixtures	98,275
Vehicles	161,702
Website	10,161
Total property and equipment	<u>914,850</u>
Less accumulated depreciation	<u>(403,317)</u>
Total property and equipment, net of depreciation	<u>\$ 511,533</u>

**Note 5 – Donated Services**

Donated services (in-kind) reported in the Statement of Activities at December 31, 2016:

IT support	\$ 3,765
Veterinary	9,573
Fundraising	1,676
Miscellaneous	<u>493</u>
Total	<u>\$ 15,507</u>

**Guide Dogs of Texas, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 6 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2016:

Pledges receivable	\$ 40,465
Give Direct/Other receivables	<u>31,464</u>
Total temporarily restricted net assets	<u>\$ 71,929</u>
Released from restrictions	<u>\$ 88,851</u>

**Note 7 - Litigation**

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

**Note 8 – 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.