

GUIDE DOGS OF TEXAS, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2018

GUIDE DOGS OF TEXAS, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2018, and the related statements of activities, 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 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 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, 2018, 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

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2017 were audited by a predecessor auditor. An unmodified opinion was expressed in the Independent Auditor's Report that was dated August 6, 2018.



San Antonio, Texas
October 8, 2019

GUIDE DOGS OF TEXAS, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 816,854
Cash on Hand	330,112
Pledges receivable (Note 1)	63,985
Contributions Receivable	8,662
Prepaid expenses	15,825
Deposit with Payroll Company	10,403
Total Current Assets	<u>1,245,841</u>
Certificates of Deposit	56,078
Pledges Receivable - Long Term (Note 1)	150,000
Property and Equipment	
Land	140,184
Property and equipment	929,850
Less - accumulated depreciation	<u>(478,539)</u>
Property and Equipment, net	<u>591,495</u>
Total Assets	<u><u>2,043,414</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 13,028
Accrued expenses	14,019
Note payable - current	15,456
Total Current Liabilities	<u>42,503</u>
LONG-TERM LIABILITIES	
Note payable - net of current portion	<u>81,681</u>
Total Liabilities	124,184
NET ASSETS	
Without donor restrictions	910,815
With donor restrictions	<u>1,008,415</u>
Total Net Assets	<u>1,919,230</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,043,414</u></u>

The accompanying notes are an integral part of these financial statements.

**GUIDE DOGS OF TEXAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

<i>Operating activities</i>	Changes in Net Assets		Totals
	Without Donor Restrictions	With Donor Restrictions	
<u>REVENUES AND OTHER SUPPORT:</u>			
Contributions and grants	\$ 508,188	\$ 1,289,887	\$ 1,798,075
Donated services	18,256	-	18,256
Other Income	29,619	-	29,619
Interest Income	3,889	-	3,889
Net assets released from restrictions:	333,597	(333,597)	-
TOTAL REVENUES & SUPPORT	893,549	956,290	1,849,839
<u>EXPENSES</u>			
Program Services - animal services	556,968	-	556,968
Supporting services			
Fundraising	25,048	-	25,048
Management and general	140,758	-	140,758
Total support services	165,806	-	165,806
TOTAL EXPENSES	722,774	-	722,774
CHANGE IN NET ASSETS	170,775	956,290	1,127,065
NET ASSETS AT BEGINNING OF YEAR	740,040	52,125	792,165
NET ASSETS AT END OF YEAR	\$ 910,815	\$ 1,008,415	\$ 1,919,230

The accompanying notes are an integral part of these financial statements.

GUIDE DOGS OF TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Animal Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries and wages	\$ 313,234	\$ 11,652	\$ 24,848	349,734
Payroll taxes and benefits	29,045	183	7,791	37,019
Advertising and cultivation	2,247	2,151	24,084	28,482
Bank Charges	1,278	-	4,821	6,099
Conferences and meetings	1,054	164	1,058	2,276
Dog Food	7,460	-	127	7,587
Donated services	7,732	114	10,410	18,256
Dues & Subscriptions	3,631	281	407	4,319
Equipment	690	36	28	754
Facility	5,614	218	655	6,487
Insurance	16,837	865	2,186	19,888
Interest	1,067	-	12,739	13,806
IT support and web maintenance	323	17	13	353
Meals	3,220	146	587	3,953
Office Supplies	6,022	493	813	7,328
Postage & Shipping	2,290	148	1,209	3,647
Printing & Publications	23,519	1,071	1,188	25,778
Professional fees	10,369	2,495	40,470	53,334
Program Supplies	15,684	1,256	1,672	18,612
Recruitment	319	-	226	545
Telephone	1,414	56	195	1,665
Travel	15,068	804	1,834	17,706
Utilities	17,483	899	698	19,080
Vehicle expenses	13,388	737	1,011	15,136
Veterinary	30,979	-	-	30,979
Depreciation	27,001	1,262	1,688	29,951
Total Expenses	<u>556,968</u>	<u>25,048</u>	<u>140,758</u>	<u>722,774</u>

The accompanying notes are an integral part of these financial statements.

**GUIDE DOGS OF TEXAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows from Operating Activities:

Change in Net Assets	\$ 1,127,065
Adjustments to Reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation & amortization	29,951
(Increase) / Decrease in:	
Pledges receivable	(46,380)
Accounts receivable	31,338
Pledges receivable - long term	(150,000)
Prepaid expenses	(10,175)
Increase/ (Decrease) in:	
Accounts payable	1,595
Accrued expenses	101
Net Cash Provided By (Used in) Operating Activities	983,495

Cash Flows From/ (Used in) Investing Activities:

Certificates of deposit	(56,078)
Acquisition of equipment	-
Net Cash From (Used in) For Investing Activities	(56,078)

Cash Flows From / (Used in) Financing Activities:

Payments on line of credit	(130,000)
Proceeds from long-term debt	154,782
Payments of long-term debt	(57,646)
Net Cash Provided by (Used in) Financing Activities	(32,864)

Net Increase in cash and cash equivalents	894,553
Beginning Cash & Cash Equivalents	252,413
Ending Cash & Cash Equivalents	\$ 1,146,966

Supplemental disclosure:

Interest paid	13,806
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Reconciliation of Ending Cash & Cash Equivalents
to Statement of Net Position:

Cash and cash equivalents	\$ 816,854
Cash on Hand	330,112
Total	\$ 1,146,966

The accompanying notes are an integral part of these financial statements.

GUIDE DOGS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and Nature of Activities:

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. Primary sources of revenues for the Organization's services are contributions and grants from the public.

Basis of Accounting

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.

Basis of Presentations

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

GUIDE DOGS OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization’s ongoing animal services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements in conformity with GAAP 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 amount of revenues and expenses during the reporting year. Actual results could differ from those estimates.

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 are reported as receivables and revenue 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.

GUIDE DOGS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1- Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

Pledges receivable reported on the Statement of Financial Position as of December 31, 2018 are due as follows:

Current Pledges Receivable	
Due within one year	\$ 63,985
Pledges Receivable - Long term	
Due in 2 - 4 years	150,000
Total	<u>\$ 213,985</u>

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 others services are valued based on their estimated fair market value on the date of contribution (See Note 4).

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 square footage utilized to program services, fundraising, and management and general. Costs of providing the services and other activities of the Organization resulted in certain joint costs that include fundraising expenses and have been allocated.

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 and insured by the National Credit Union Administration (NCUA). The Organization places its cash in such financial institutions and limits the amount of credit exposure, although it may from time-to-time have cash balances or investments in excess of the insured by the FDIC. As of December 31, 2018, the Organization had a balance of cash in bank that was \$550,773 greater than FDIC.

GUIDE DOGS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1- Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk (continued)

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 assets 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 net assets with donor restrictions 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 net assets with donor restrictions. 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 October 8, 2019, the date the financial statements were available to be issued.

GUIDE DOGS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1- Summary of Significant Accounting Policies (continued)

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.

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. Unrestricted net position as of December 31, 2017 is being presented as net assets without donor restrictions on these financial statements. Temporarily restricted net position and permanently restricted net position as of December 31, 2017 are being presented as net assets with donor restrictions on these financial statements.

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year include \$101,000 for construction of Sight Center/Puppy Enrichment Center, \$60,000 to increase guide dogs for clients with diabetes, \$2,500 to support the PAWSitive Approach Program Puppies, \$36,000 for Days of Guided Sight, \$25,000 to increase the freedom, mobility, and independence for blind Texas, \$51,000 to support the apprentice program, \$50,000 to accelerate the North Texas satellite and an estimated payment of \$50,000 in a pledge to support the apprentice program.

GUIDE DOGS OF TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 – Liquidity and Availability of Financial Assets (continued)

		<u>12/31/2018</u>
Cash and cash equivalents	\$	816,854
Cash on Hand		330,112
Pledges Receivable		63,985
Other Accounts Receivable		8,662
Certificates of Deposit		56,078
Pledges Receivable - Long Tem		<u>150,000</u>
Total financial assets		<u>1,425,691</u>

Less those unavailable for general expenditures within one year, due to:

Donor-restricted for accelerating North Texas Satellite		(450,000)
Donor-restricted for Apprentice Program		(150,000)
Donor-restricted to maintain as an endowment		<u>(5,329)</u>

Financial assets available to meet cash needs for general expenditures within one year		<u><u>\$ 820,362</u></u>
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Note 3 – Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Land (Nondepreciable)	\$	140,184
Building and Improvements		644,712
Furniture and fixtures		113,275
Vehicles		161,702
Website Development		<u>10,161</u>
Total property and equipment		1,070,034
Accumulated Depreciation		<u>(478,539)</u>
Total Property & Equipment, net of depreciation	\$	<u><u>591,495</u></u>

Depreciation expense for the year ended December 31, 2018 was \$29,951.

GUIDE DOGS OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4 – Donated Services

Donated services (in-kind) reported as revenue in the Statement of Activities at December 31, 2018, used for the program were as follows:

IT support	\$	900
Veterinary Services		4,787
Fiesta Medals		10,322
Miscellaneous		2,247
Total	\$	<u>18,256</u>

Note 5 – Note Payable

Effective February 20, 2018, the Organization entered into a Promissory Note with LiftFund Inc. in the amount of \$154,782. Principal and interest payments of \$1,926.61 are due and payable monthly beginning on April 6, 2018 and are required to be made until March 6, 2028 when the entire amount of unpaid principal and all accrued but unpaid interest and any fees and charges shall be due and payable.

The annual interest rate for the note is 8.50% and the note is secured by the property. Outstanding principal as of December 31, 2018, was \$97,137.

Note 6 – Pension Plan

The Organization provides for its employees a 403(b) retirement plan. Employees are eligible to participate after 1 month of employment. Any employee who leaves the employment of Organization is entitled to his or her contributions. Participants are fully vested in elective deferrals. Vesting in the employer contributions is as follows:

Less than one year of vesting service	0%
One year but less than two years of vesting service	20%
Two years but less than three years of vesting service	40%
Three years but less than four years of vesting service	60%
Four years but less than five years of vesting service	80%
Five or more years of vesting service	100%

No matching contributions were made by the Organization for the year ended December 31, 2018.

GUIDE DOGS OF TEXAS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 7 - Fair Value Measurements

The Organization has adopted Financial Accounting Standards Board *Accounting Standards Codification* (ASC) 820-10, which 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 Organization 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 Organization's asset or liability fair value measurement level within the fair value hierarchy is based upon level 1.

Note 8 – Commitment

The Organization entered into a website redesign contract on December 20, 2018 for a cost of \$10,800 per year for a 3-year term.