

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

TEXAS HEARING AND SERVICE DOGS, INC.
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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	
YEAR ENDED DECEMBER 31, 2023	4
YEAR ENDED DECEMBER 31, 2022	5
STATEMENT OF FUNCTIONAL EXPENSES	
YEAR ENDED DECEMBER 31, 2023	6
YEAR ENDED DECEMBER 31, 2022	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



Independent Auditors' Report

Board of Directors
Texas Hearing and Service Dogs, Inc.
dba Service Dogs, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of Texas Hearing and Service Dogs, Inc. dba Service Dogs, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Service Dogs, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

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 Service Dogs, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditors' Responsibility 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 auditors' 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 GAAS 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 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 GAAS, 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 Service Dogs, Inc.'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 Service Dogs, Inc.'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 that we identified during the audit.

Atchley & Associates, LLP

Austin, Texas

July 1, 2024

TEXAS HEARING AND SERVICE DOGS, INC.
 dba SERVICE DOGS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 440,382	\$ 498,367
Other receivables	-	400
Prepaid expenses	655	655
Total current assets	441,037	499,422
Property and equipment, net	638,204	648,863
Total assets	\$ 1,079,241	\$1,148,285
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 5,399	\$ 5,929
Total current liabilities	5,399	5,929
Net assets		
Without donor restrictions	1,073,842	1,142,356
With donor restrictions	-	-
Total net assets	1,073,842	1,142,356
Total liabilities and net assets	\$ 1,079,241	\$1,148,285

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants:			
Individuals	\$ 364,299	\$ -	\$ 364,299
Foundations	227,750	-	227,750
Businesses	65,288	-	65,288
Service organizations	65,409	-	65,409
Contributed nonfinancial assets	-	-	-
Special events	183,530	-	183,530
Other	16,933	-	16,933
	923,209	-	923,209
Net assets released from restrictions	-	-	-
Total revenues	923,209	-	923,209
Expenses			
Program services	806,355	-	806,355
Management and general	50,076	-	50,076
Fundraising	135,292	-	135,292
Total expenses	991,723	-	991,723
Change in net assets	(68,514)	-	(68,514)
Net assets, beginning of year	1,142,356	-	1,142,356
Net assets, end of year	\$ 1,073,842	\$ -	\$ 1,073,842

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants:			
Individuals	\$ 292,704	\$ -	\$ 292,704
Foundations	344,369	-	344,369
Businesses	45,300	-	45,300
Service organizations	31,620	-	31,620
Contributed nonfinancial assets	20,472	-	20,472
Special events	133,195	-	133,195
Other	1,228	-	1,228
	868,888	-	868,888
Net assets released from restrictions	-	-	-
Total revenues	868,888	-	868,888
Expenses			
Program services	721,301	-	721,301
Management and general	45,696	-	45,696
Fundraising	76,524	-	76,524
	843,521	-	843,521
Total expenses	843,521	-	843,521
Change in net assets	25,367	-	25,367
Net assets, beginning of year	1,116,989	-	1,116,989
Net assets, end of year	\$ 1,142,356	\$ -	\$ 1,142,356

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Accounting fees	\$ 16,987	\$ -	\$ -	\$ 16,987
Bank and credit card fees	1,026	682	-	1,708
Depreciation	33,610	-	-	33,610
Dog supplies	9,784	-	108	9,892
Insurance	32,337	-	1,492	33,829
Interest expense	91	-	-	91
Office supplies	8,913	-	-	8,913
Other	5,275	-	1,500	6,775
Payroll processing fees	18,159	965	237	19,361
Postage	2,107	-	1,169	3,276
Printing	2,870	583	996	4,449
Professional development	822	-	-	822
Professional services	141,161	560	107,056	248,777
Promotional	5,144	-	5,937	11,081
Repairs and maintenance	16,325	5,894	-	22,219
Salaries, payroll taxes, and benefits	441,915	40,210	9,840	491,965
Supplies for events	2,453	-	2,452	4,905
Telephone	10,391	880	-	11,271
Travel	17,577	-	105	17,682
Uniforms	6,096	110	4,400	10,606
Utilities	19,707	192	-	19,899
Veterinarian	13,605	-	-	13,605
Website maintenance	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 806,355</u>	<u>\$ 50,076</u>	<u>\$ 135,292</u>	<u>\$ 991,723</u>

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Accounting fees	\$ 16,536	\$ -	\$ -	\$ 16,536
Bank and credit card fees	5,661	656	253	6,570
Depreciation	34,050	-	-	34,050
Dog supplies	11,184	-	250	11,434
Insurance	28,185	-	-	28,185
Interest expense	375	-	-	375
Office supplies	7,188	-	-	7,188
Other	3,398	-	-	3,398
Payroll processing fees	9,894	741	220	10,855
Postage	2,204	-	1,075	3,279
Printing	656	-	-	656
Professional development	133	-	-	133
Professional services	103,593	1,180	62,250	167,023
Promotional	20,472	-	-	20,472
Repairs and maintenance	10,640	1,798	-	12,438
Salaries, payroll taxes, and benefits	392,425	41,274	11,621	445,320
Supplies for events	2,660	-	-	2,660
Telephone	9,058	-	-	9,058
Travel	25,508	-	855	26,363
Uniforms	12,189	-	-	12,189
Utilities	16,779	47	-	16,826
Veterinarian	8,440	-	-	8,440
Website maintenance	73	-	-	73
	<u>721,301</u>	<u>45,696</u>	<u>76,524</u>	<u>843,521</u>
Total expenses	<u>\$ 721,301</u>	<u>\$ 45,696</u>	<u>\$ 76,524</u>	<u>\$ 843,521</u>

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Operating activities		
Change in net assets	\$ (68,514)	\$ 25,367
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	33,610	34,050
Change in operating assets and liabilities -		
Other receivables	400	(400)
Prepaid expenses	-	2,105
Accounts payable	(530)	5,929
Net cash flows from operating activities	(35,034)	67,051
Investing activities		
Purchases of property and equipment	(22,951)	(4,787)
Net cash flows from investing activities	(22,951)	(4,787)
Financing activities		
Repayments on long-term debt	-	(1,706)
Net cash flows from financing activities	-	(1,706)
Net change in cash and cash equivalents	(57,985)	60,558
Cash and cash equivalents - beginning of year	498,367	437,809
Cash and cash equivalents - end of year	\$ 440,382	\$ 498,367
Supplemental cash flow information:		
Interest paid	\$ 91	\$ 375

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

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Texas Hearing and Service Dogs, Inc. dba Service Dogs, Inc. (the Organization) is a non-profit, tax-exempt organization which brings greater independence to people living with disabilities through partnership with a working dog. The Organization accomplishes its mission by providing dogs and training free of charge to recipients.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States (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.

Revenue Recognition

The Organization recognizes contributions as revenue when received or unconditionally promised. Contributions are measured at the fair value of the assets or services received or promised. Revenues from program service fees and special events are recognized when earned. Revenues are classified as net assets with donor restrictions if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires in the same period received, the contribution is recognized as a net asset without donor restrictions.

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Revenue Recognition - Continued

Contributed nonfinancial assets consist of contributed goods and services. Contributed goods are recorded as noncash contributions at an estimated fair value based on the retail price of similar goods. Contributed services are recorded, based on the cost of similar services, as contributions if the services, a) create or enhance non-financial assets, b) require specialized skills, c) are provided by individuals possessing those skills, and d) would typically need to be purchased if not provided by donation. The value of the noncash contributions is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be a cash equivalent.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value if the fair market value exceeds \$500. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes all purchased depreciable assets with a cost equal to or greater than \$500 with a useful life of more than one year. Property and equipment are carried at cost or fair market value at the time of donation less accumulated depreciation. Maintenance and repairs which do not improve or extend the useful lives of the fixed assets are charged to expense.

The Organization uses the straight-line method of computing depreciation over the estimated useful lives of the various assets. Major categories of depreciable assets and their estimated useful lives are:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>
Building	39 years
Leasehold improvements	10 - 15 years
Furniture and equipment	3 - 10 years
Vehicles	5 years
Computer software and hardware	3 years

TEXAS HEARING AND SERVICE DOGS, INC.
dba SERVICE DOGS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued**

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses are allocated based on time and effort.

Income Taxes

The Internal Revenue Service has classified the Organization as other than a private foundation, which is exempt from federal income taxes on its related purpose income under Section 501(c)(3) of the United States Internal Revenue Code. Consequently, no federal income taxes have been provided for in these financial statements.

The Organization's federal returns for the years ended December 31, 2020, and after are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2023 and 2022, the Organization has not recognized liabilities for uncertain tax positions or associated interest and penalties.

Estimates

The preparation of financial statements in conformity with US GAAP 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.

TEXAS HEARING AND SERVICE DOGS, INC.
 dba SERVICE DOGS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
 POLICIES - Continued**

Subsequent Events

Management of the Organization has evaluated subsequent events for disclosure through the date of the Independent Auditors' Report, the date the financial statements were available to be issued.

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 145,792	\$ 145,792
Building and building improvements	918,318	895,367
Automobiles	85,170	85,170
Furniture and equipment	76,125	76,125
Computer hardware and software	32,281	32,281
Total property and equipment	1,257,686	1,234,735
Less: accumulated depreciation	<u>(619,482)</u>	<u>(585,872)</u>
Net book value of property and equipment	<u>\$ 638,204</u>	<u>\$ 648,863</u>

For the years ended December 31, 2023 and 2022, depreciation expense totaled \$33,610 and \$34,050, respectively.

NOTE C - CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at two financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023, the Organization had cash balances of \$182,427 that exceeded FDIC coverage.

TEXAS HEARING AND SERVICE DOGS, INC.
 dba SERVICE DOGS, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023 AND 2022

NOTE D - CONTRIBUTED NONFINANCIAL ASSETS

Service Dogs receives various forms of contributed nonfinancial assets (in-kind donations) including advertising services. In-kind donations are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. In-kind donations are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the good are contributed by the donor. In-kind donations are used for the program purposes and are not resold.

In-kind donations consisted of the following for the years ended December 31:

	2023	2022
Services		
Promotional bill board	\$ -	\$ 20,472
Total contributed nonfinancial assets	\$ -	\$ 20,472

NOTE E - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 440,382	\$ 498,367
Other receivables	-	400
Total financial assets at year end	440,382	498,767
Financial assets available to meet cash needs for general expenditures within one year	\$ 440,382	\$ 498,767

The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 60 days operating expenses. As of December 31, 2023, the Organization is in compliance with their liquidity policy. The Organization takes additional steps to ensure it meets its liquidity policy by cutting costs, proactively working on grants, courting new donors, and revisiting former donors. In addition, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually.