OPERATION DELTA DOG, INC.

Audited Financial Statements

Year Ended June 30, 2018

Operation Delta Dog, Inc.

Contents

Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

STAFFORD, GAUDET & ASSOCIATES, LLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Trustees
Operation Delta Dog, Inc.
Chelmsford, Massachusetts

We have audited the accompanying financial statements of Operation Delta Dog, Inc., (a Massachusetts Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and net assets, 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.

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.

19 Fletcher St., P.O. Box 367, Chelmsford, MA 01824 (978) 250-0300 FAX (978) 250-0111 WWW.SGACPA.COM
The CPA. Never Underestimate The Value™

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Delta Dog, Inc. as of June 30, 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.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note B to the financial statements, during the year ended June 30, 2018, the Organization adopted Accounting Standards Updates (ASU) No. 250-10, *Accounting Change and Error Corrections* and (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* As a result, the standards were retroactively applied to the financial statements for the year ending June 30, 2018. Our opinion is not modified with respect to these matters

Stafford, Gaudet & Associates, LLC

STAFFORD, GAUDET & ASSOCIATES, LLC
Chelmsford, MA

July 2, 2019

Operation Delta Dog, Inc.

Statement of Financial Position

June 30,						**2018**
		Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions		
Assets						
Current Assets						
Cash and cash equivalents	$	569,458	$	5,378	$	**574,836**
Prepaid expenses		7,174		-		**7,174**
Total Current Assets		576,632		5,378		**582,010**
Property and Equipment, net		61,990		-		**61,990**
Other Assets						
Security Deposit		6,000		-		**6,000**
Trademark		3,329		-		**3,329**
Total Other Assets		9,329		-		**9,329**
Total Assets	$	647,951	$	5,378	$	**653,329**
Liabilities and Net Assets						
Current Liabilties						
Accrued expenses	$	4,765	$	-	$	**4,765**
Payroll liability		18,461		-		**18,461**
Total Current Liabilities		23,226		-		**23,226**
Net Assets						
Without donor restrictions		624,725		-		**624,725**
With donor restrictions		-		5,378		**5,378**
Total Net Assets		624,725		5,378		**630,103**
Total Liabilities and Net Assets	$	647,951	$	5,378	$	**653,329**

See accompanying notes and independent auditors' report.

Operation Delta Dog, Inc.

Statement of Activities and Net Assets

Year Ended June 30,			2018
	Without Donor Restrictions	With Donor Restrictions	
Support and Revenue			
Contributions and pledges	$ 355,652	$ -	$ **355,652**
Grant	60,000	75,000	**135,000**
Fundraising	69,891	-	**69,891**
Net assets released from restrictions	79,622	(79,622)	**-**
Total Support and Revenues	565,165	(4,622)	**560,543**
Expenses			
Program services	247,637	-	**247,637**
Management and general	88,844	-	**88,844**
Fundraising	83,126	-	**83,126**
Total Expenses	419,607	-	**419,607**
Change in Net Assets	145,558	(4,622)	**140,936**
Net Assets, Beginning of Year	479,167	10,000	**489,167**
Net Assets, End of Year	$ 624,725	$ 5,378	$ **630,103**

See accompanying notes and independent auditors' report.

Operation Delta Dog, Inc.

Statement of Functional Expenses

Year Ended June 30	Program	Management and General	Fundraising	**2018**
Salaries	$ 168,312	$ 37,500	$ 37,500	**$ 243,312**
Marketing and outreach	-	-	29,823	**29,823**
Rent	17,441	5,495	-	**22,936**
Travel and meetings	-	22,130	-	**22,130**
Payroll taxes	17,639	525	525	**18,689**
Fundraising	-	-	15,278	**15,278**
Veterinary services	14,289	-	-	**14,289**
Dog food and supplies	14,016	-	-	**14,016**
Professional fees	-	8,384	-	**8,384**
Office	1,600	3,605	-	**5,205**
Utilities	2,877	864	-	**3,741**
Contract services	2,270	949	-	**3,219**
Depreciation and amortization	2,267	741	-	**3,008**
Payroll service fees	2,710	-	-	**2,710**
Supplies	-	2,235	-	**2,235**
Uniforms	1,550	413	-	**1,963**
Repairs and maintenance	1,487	372	-	**1,859**
Miscellaneous	-	1,314	-	**1,314**
Insurance	942	235	-	**1,177**
Dues, fees and subscriptions	-	1,140	-	**1,140**
Professional development	-	1,020	-	**1,020**
Postage and mailing	-	936	-	**936**
Business registration fees	-	504	-	**504**
Telephone	-	328	-	**328**
Equipment rental	237	-	-	**237**
Printing and copying	-	92	-	**92**
Conferences	-	62	-	**62**
Total Functional Expenses	$ 247,637	$ 88,844	$ 83,126	**$ 419,607**

See accompanying notes and independent auditors' report.

Operation Delta Dog, Inc.

Statement of Cash Flows

Year Ended June 30,		2018
Cash Flows from Operating Activities		
Change in net assets	$	140,936
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization		3,008
(Increase) decrease in assets		
Prepaid expenses		(7,174)
Security deposit		(4,687)
Increase (decrease) in liabilities:		
Accrued expenses		4,765
Payroll liability		18,461
Net Cash Provided by Operating Activities		155,309
Cash Flows from Investing Activities		
Purchase of property and equipment		(68,327)
Net Cash Used in Investing Acvities		(68,327)
Net Increase in Cash and Cash Equivalents		86,982
Cash and Cash Equivalents, Beginning of Year		487,854
Cash and Cash Equivalents, End of Year	$	574,836

See accompanying notes and independent auditors' report.

NOTE A – ORGANIZATION AND PURPOSE

Operation Delta Dog, Inc. (the "Organization") is a Massachusetts nonprofit corporation that was founded in 2013 with a mission to rescue and train homeless dogs to become service dogs for United States veterans with Post-Traumatic Stress Disorder (PTSD), Traumatic Brain Injury, (TBI), and related challenges.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization elected to adopt during the fiscal year ending June 30, 2018, a change its accounting method from the cash basis to the accrual basis of accounting according to the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 250-10, *Accounting Changes and Error Corrections,* whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The Organization's change in basis of accounting was implemented to be in compliance with Massachusetts state laws requiring that audited financial statements prepared in accordance with generally accepted accounting principles be submitted with the Form PC.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

> Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
>
> Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when acquired to be cash equivalents. Cash is held in bank demand deposit accounts which may, at times, exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk with respect to cash and cash equivalents and has not experienced any losses in such accounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Equipment, furniture and fixtures, and leasehold improvements are stated at cost if purchased or fair value at the date of contribution if contributed. The cost or repairs and maintenance are charged to expense when incurred. Depreciation and amortization are provided using the straight-line method over the estimated useful lives as follows:

Website	3 years
Equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	Lesser of lease term or useful life

Depreciation and amortization expense for the year ended June 30, 2018 was $3,008.

Revenues and Support Recognition

Program service revenues are recorded when received.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions received with donor-imposed restrictions are reported as revenues and as net assets with donor restrictions when they are received. A reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions in the year the restrictions are met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as net assets without donor restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues and as net assets without donor restrictions when they are received. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as revenues and as net assets with donor restrictions, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses and as net assets without donor restrictions at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of materials to be used in program

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenues and Support Recognition - continued
operations are reported as revenues and expenses of the net assets without donor restrictions net at the time the materials are received.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Marketing and Outreach
The Organization expenses marketing and outreach costs as they are incurred. Marketing and outreach expenses for the year ended June 30, 2018 were $29,823.

Income Taxes
The Organization is exempt from federal and state income taxes for general purpose operations under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation; therefore, no provision for income taxes has been made in these financial statements. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of these returns.

Functional Allocation of Expenses
The costs of providing programs and other activities have been summarized on a functional basis in the statements of activity and changes in net assets, and in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefitted. These expenses include depreciation, salaries, payroll taxes, maintenance, insurance, uniforms and supplies. Depreciation is allocated based on estimated use of square footage. Other expenses are allocated based on estimates of time and effort.

Compensated Absences
Employees of the Organization are entitled to paid vacation, depending on length of service. Management has determined that such amounts are not material to the financial position of the Organization and, therefore, there is no provision in these financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The Organization elected early adoption of the provision for this new standard during the year ended June 30, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

Net asset reclassifications for early adoption of ASU No. 2016-14 as of June 30, 2017 is as follows:

	ASU No. 2016-14 Classifications		
Net Asset Classifications	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	$ 475,504	$ -	$ 475,504
Temporarily restricted	-	10,000	10,000
Total net assets as reclassfied	$ 475,504	$ 10,000	S 485,504

Fundraising and Special Events

Fundraising costs are recorded as an expense when incurred and the related revenue is included as revenue and support from fundraising events.

Concentration of Credit Risk

The Organization maintains all of its cash balances at one financial institution and the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2018 the Organization's bank balances that exceeded the FDIC limits was $252,550. The Organization places cash with a credit worthy financial institution and has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE C– PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

		2018
Equiment	$	18,925
Furniture and fixtures		6,335
Website		3,106
Leasehold improvements		36,632
		64,998
Less accumulated depreciation and amortization		3,008
	$	61,990

NOTE D – SECURITY DEPOSITS

During the year ended June 30, 2018, the Organization entered into two lease agreements, one of which required a security deposit.

Building Lease
A deposit of $6,000 was paid as agreed upon under the five-year lease agreement for the Organization's operating and training facility. The security deposit may be used by the Landlord to cure any default or breach under the lease agreement, and to the extent not so used shall be returned to the Organization upon the termination of the lease agreement.

Security deposits for the year ended June 30, 2018 was $6,000.

NOTE E – ACCRUED EXPENSES AND PAYROLL LIABILITIES

Accrued expenses consist of the following at June 30,

		2018
State filing fees	$	265
Accouting fees		4,500
Payroll liability		18,461
	$	23,226

NOTE F – FUNDRAISING EVENTS

The Organization conducted the following fundraising event reported on the Statements of Activities and Net Assets for the years ended June 30:

		2018
		Walk & Wag
Gross Proceeds	$	69,891
Direct Expenses		(15,278)
Net	$	54,613

NOTE G– OPERATING LEASES

Executive Office

On February 21, 2018, the Organization signed a lease agreement for its executive office at 321 Billerica Road, Chelmsford, Massachusetts. The term of the contract is one year, commencing on March 1, 2018 through February 28, 2019. The monthly fee under the lease agreement is $600. Since the expiration of the lease, the Organization continues to lease the office space as a tenant-at-will for the same monthly fee.

Building Lease

The Organization leases space at the 19G Clinton Drive for its administrative offices and training facilities in Hollis, New Hampshire. On November 3, 2017, the Organization signed a lease for 3,000 square feet of the building for the period November 1, 2017 through October 31, 2022.

The Organization has a one-time option to extend the lease for five years. In order to exercise this option, the Organization must notify the lessor no less than one hundred eighty days prior to the date the term is scheduled to expire. Improvements to the facility are capitalized as leasehold improvements and amortized over the remaining extended lease period or the improvements useful life, whichever is shorter. Rental payments under the lease for the initial year is $6.20 per rentable square foot or $18,600 annually. In each subsequent year of the lease, the rent will be adjusted by an increase of $750 ($.25 psf) on each anniversary of the commencement date.

For the year ending June 30, 2018, the total amount of rent expense was $22,936.

NOTE G– OPERATING LEASES - continued

Estimated future obligations under both leases for the next five years are as follows:

Year ending June 30,		Facility
2019	$	23,900
2020		19,850
2021		20,600
2022		21,350
2023		7,200
	$	92,900

NOTE H– NET ASSETS WITH DONOR RESTRICTIONS

The Organization's restricted net assets are available for the following purposes at June 30:

		2018
Administrative and training facility in Hollis, NH	$	5,378

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary source of support is from contributions, grants, and fundraising. Support required to be used in accordance with purpose restrictions imposed by the donors represents approximately 13% of the Organization's annual support. The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise of the following as of June 30,

		2018
Cash and cash equivalents	$	574,837

NOTE J – PRIOR PERIOD ADJUSTMENT

The Organization elected to adopt the accrual basis of accounting resulting in an understatement of previously reported expenses in the prior year. Accordingly, a cumulative adjustment of $3,663 was made to reduce previously reported net assets at June 30, 2017.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 2, 2019, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.