

CAROLINA CANINES FOR SERVICE

Financial Statements

For the Year Ended December 31, 2010

EARNEY & COMPANY

L.L.P.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Carolina Canines for Service
Wilmington, North Carolina

We have audited the accompanying statement of financial position of Carolina Canines for Service (a North Carolina nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. This was our initial engagement.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carolina Canines for Service as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Earney & Company, L.L.P.

Wilmington, North Carolina
April 25, 2011

CAROLINA CANINES FOR SERVICE
STATEMENT OF FINANCIAL POSITION

	As of December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
Assets			
Current Assets			
Cash	\$ 84,806	\$ -	\$ 84,806
Investments	296,168	-	296,168
Accounts Receivable	2,381	-	2,381
Inventory	1,423	-	1,423
Total Current Assets	384,778	-	384,778
Property			
Furniture & Equipment	26,130	-	26,130
Vehicles	31,870	-	31,870
Less: Accumulated depreciation	(21,625)	-	(21,625)
Net Property	36,375	-	36,375
Total Assets	\$ 421,153	\$ -	\$ 421,153
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 9,662	\$ -	\$ 9,662
Line of Credit (Note 4)	-	-	-
Total Current Liabilities/Total Liabilities	9,662	-	9,662
Net Assets			
Unrestricted	411,491	-	411,491
Temporarily restricted	-	-	-
Total Net Assets	411,491	-	411,491
Total Liabilities and Net Assets	\$ 421,153	\$ -	\$ 421,153

The Accompanying Notes are an Integral Part of the Financial Statements

CAROLINA CANINES FOR SERVICE
STATEMENT OF ACTIVITIES

	For the Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
Public Support & Revenue			
Grants, contributions, & bequests	\$ 569,722	\$ 43,858	\$ 613,580
Membership dues	2,720	-	2,720
Memorials and honorariums	6,757	-	6,757
Fund raising, net	30,530	-	30,530
Obedience classes	6,807	-	6,807
Interest Income	5,783	-	5,783
Unrealized gain (loss)	10,388	-	10,388
In kind gifts & contributions	30,469	-	30,469
Miscellaneous	7,433	-	7,433
Net assets released from restriction	<u>43,858</u>	<u>(43,858)</u>	<u>-</u>
Total Public Support & Revenue	<u>714,467</u>	<u>-</u>	<u>714,467</u>
 Expenses			
Program	244,036	-	244,036
Administrative	38,833	-	38,833
Fund raising	<u>21,224</u>	<u>-</u>	<u>21,224</u>
Total Expenses	<u>304,093</u>	<u>-</u>	<u>304,093</u>
 Change in Net Assets			
	410,374	-	410,374
 Net Assets:			
Beginning of Year	<u>1,117</u>	<u>-</u>	<u>1,117</u>
End of Year	<u>\$ 411,491</u>	<u>\$ -</u>	<u>\$ 411,491</u>

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CAROLINA CANINES FOR SERVICE
STATEMENT OF FUNCTIONAL EXPENSES

EXPENSES	For the Year Ended December 31, 2010			
	Program	Administrative	Fund-raising	Total
Salaries	\$ 95,512	\$ 19,102	\$ 12,735	\$ 127,349
Employee benefits	11,517	2,304	1,536	15,357
Payroll taxes	7,307	1,461	974	9,742
Professional & contract fees	53	420	52	525
Dues & subscriptions	1,061	212	141	1,414
Printing & reproduction	7,061	1,412	942	9,415
Postage & delivery	3,999	1,066	267	5,332
Supplies	5,800	1,547	386	7,733
Advertising	2,821	565	376	3,762
Auto expense	7,166	1,433	955	9,554
Bank charges	656	131	87	874
Conference fees & training	1,274	225	-	1,499
Dog supplies	15,820	-	-	15,820
Interest expense	86	17	11	114
Licenses & permits	315	63	42	420
Occupancy	16,388	4,370	1,092	21,850
Travel	7,662	852	-	8,514
Utilities	8,694	966	-	9,660
Volunteer services	3,502	-	-	3,502
Repairs & maintenance	4,669	246	-	4,915
Insurance	5,936	1,187	792	7,915
Miscellaneous	1,588	318	212	2,118
In kind expenses	30,469	-	-	30,469
 Total direct expenses	 239,356	 37,897	 20,600	 297,853
 Depreciation	 4,680	 936	 624	 6,240
 Total expenses	 \$ 244,036	 \$ 38,833	 \$ 21,224	 \$ 304,093

The Accompanying Notes are an Integral Part of the Financial Statements

CAROLINA CANINES FOR SERVICE
STATEMENT OF CASH FLOWS

	For the Year Ended December 31, 2010		
	Unrestricted	Temporarily Restricted	Total
Cash Flows from Operating Activities			
Change in Net Assets	\$ 410,374	\$ -	\$ 410,374
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	6,240	-	6,240
Changes in current assets & liabilities (use) source:			
Receivables	6,035	-	6,035
Prepays	83	-	83
Accounts payable	<u>(7,357)</u>	<u>-</u>	<u>(7,357)</u>
Net Cash Provided by (Used in) Operating Activities	<u>415,375</u>	<u>-</u>	<u>415,375</u>
Cash Flows Used in Investing Activities			
Investments received	(296,168)	-	(296,168)
Acquisition of property and equipment	<u>(18,630)</u>	<u>-</u>	<u>(18,630)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(314,798)</u>	<u>-</u>	<u>(314,798)</u>
Cash Flows Used in Financing Activities			
Line of credit payoff	<u>(24,361)</u>	<u>-</u>	<u>(24,361)</u>
Net Increase (Decrease) in Cash	76,216	-	76,216
Cash, beginning of year	<u>8,590</u>	<u>-</u>	<u>8,590</u>
Cash, end of year	<u>\$ 84,806</u>	<u>\$ -</u>	<u>\$ 84,806</u>
Supplemental Information			
Interest paid			<u>\$ 114</u>

The Accompanying Notes are an Integral Part of the Financial Statements

CAROLINA CANINES FOR SERVICE
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. **ORGANIZATION**

Carolina Canines for Service is a nonprofit corporation organized under the laws of North Carolina to operate as a nonprofit. Carolina Canines for Service was incorporated on June 3, 1998. The organization's mission is to empower people with disabilities to achieve greater independence and an enhanced quality of life through the services of specially trained dogs. The organization gets a majority of their support from grants and contributions.

Carolina Canines for Service is exempt from federal income tax under Section 501(a) of Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, contributions to Carolina Canines for Service may be deductible by donors and related purpose income is exempt from income tax.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Carolina Canines for Service have been prepared on the accrual basis. Accordingly, revenue is recorded when earned and expenses when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets

The financial statements report amounts separately by class of net assets.

- a) **Unrestricted** amounts are those currently available at the discretion of the board for use in the organization's operations. All contributions are considered available for unrestricted use, unless specifically restricted by the donor.

- b) **Temporarily restricted** amounts are those, which are stipulated by grantors and donors for specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, money market accounts and short-term certificates of deposits with maturities of three months or less. Cash and equivalents are as follows at December 31:

	<u>2010</u>
Operating - checking	\$ 11,443
Other checking accounts	26,912
Money Market savings	45,230
Paypal & petty cash	<u>1,221</u>
Total	<u>\$ 84,806</u>

Investments

Investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Determination of fair market value for each class of investment is disclosed in footnote 3.

Property and Depreciation

Expenditures for equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets (5 - 7 years for equipment and furnishings).

Contributions

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the organization.

Temporarily restricted contributions are recognized as contribution income in the statement of activities when cash or ownership of donated assets is unconditionally promised to the organization and subsequently released to the unrestricted fund when expenses have been incurred in satisfaction of those restrictions.

The organization reports gifts of land, buildings, and 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 recorded as restricted support. Unless the donor stipulates otherwise, the organization reports expirations of donor restrictions when the expenditure for the donated or acquired long-lived assets is made.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities using objective bases such as time spent, salaries, square feet, and other bases.

In Kind Gifts & Contributions

Where contributed services, materials, and free use of space meet the criteria for recognition, they are recorded as in-kind contribution revenues and charged to the appropriate expense or asset category. There were \$30,469 donated materials and services in fiscal 2010.

Subsequent Events

Management considered the inclusion of subsequent events in the disclosures of the footnotes through April 25, 2011, if such disclosures were required. The date April 25, 2011 was both the financial issuance date and the date the financials were available to be issued.

3. FAIR VALUE MEASUREMENTS

All investments in mutual funds and real estate investment trusts were determined by reference to quoted market prices and other relevant information generated by market transactions, which is the highest of the three fair value measurement levels identified in accounting principles generally accepted in the United States of America.

The interest in a limited partnership (Cypress Equipment Fund X, LLC), an entity that holds equipment, was determined by the assets documented value as it passed through the estate process in October of 2010, in the Wake County General Court of Justice. That valuation used comparative data from similar assets to determine final valuation.

Management considers the fair valuation measurements of the Partnership Interest to be Level 2 valuations as described by generally accepted accounting principles.

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	Fair Value	Quoted prices in Active Markets for Identical Assets (Level 1)	(Level 2)	(Level 3)
Investment Mutual Funds	\$ 224,337	\$ 224,337	\$ -	\$ -
Investment - Real Estate Investment Trusts holding real estate	49,331	49,331	-	-
Investments - Limited Partnership holding equipment	22,500	-	22,500	-
Total	<u>\$ 296,168</u>	<u>\$ 273,668</u>	<u>\$ 22,500</u>	<u>\$ -</u>

4. **LINE OF CREDIT**

The organization maintains an available line of credit with a local bank, with \$25,000 available. No amounts were outstanding at December 31, 2010.

5. **LEASES**

The organization leases two offices under operating leases. The offices are in Charleston, SC and Wilmington, NC.

The Charleston office is rented under a lease beginning September 5, 2010 thru January 31, 2011 for \$1,800 per month. The lease allows the tenant to stay beyond the lease term on a month to month basis.

The Wilmington corporate office is rented under a month to month operating lease at \$900 per month.