

CANINE COMPANIONS FOR  
INDEPENDENCE, INC.

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Canine Companions for Independence, Inc.

## Independent Auditors' Report and Financial Statements

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<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 24



## Independent Auditors' Report

THE BOARD OF DIRECTORS  
CANINE COMPANIONS FOR INDEPENDENCE, INC.  
Santa Rosa, California

### Report on the Financial Statements

We have audited the accompanying financial statements of **CANINE COMPANIONS FOR INDEPENDENCE, INC. (CCI)** which comprise the statement of financial position as of December 31, 2015, 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 representation 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 representation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' 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 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 CCI'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 CCI'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.

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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 Canine Companions for Independence as of December 31, 2015, and the results of its activities and 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.

**Other Matter**

*Report on Summarized Comparative Information*

We have previously audited CCI's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated June 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
June 10, 2016

# Canine Companions for Independence, Inc.

## Statement of Financial Position

<i>December 31, 2015 (with comparative totals for 2014)</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 5,113,078	\$ 4,854,744
Contributions receivable, net	1,546,274	2,493,025
Accounts receivable	687,669	82,102
Bequests receivable	1,648,026	2,701,199
Investments	20,359,723	20,935,439
Property, equipment and improvements, net	23,815,282	22,069,614
Other assets	3,182,702	1,977,123
	<b>\$ 56,352,754</b>	<b>\$ 55,113,246</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 380,380	\$ 430,940
Accrued payroll and related expenses	1,322,021	1,269,278
Gift annuities payable	683,453	700,327
Deferred compensation	382,211	373,259
Total liabilities	2,768,065	2,773,804
<b>Net Assets:</b>		
Unrestricted	44,759,666	41,793,428
Temporarily restricted	5,649,356	7,371,347
Permanently restricted	3,175,667	3,174,667
Total net assets	53,584,689	52,339,442
	<b>\$ 56,352,754</b>	<b>\$ 55,113,246</b>

See accompanying notes to financial statements.

# Canine Companions for Independence, Inc.

## Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015 (with comparative totals for 2014)

	2015			2014 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support:</b>					
Contributions	\$ 11,694,824	\$ 1,202,296	\$ 1,000	\$ 12,898,120	\$ 11,501,854
Capital campaign support		1,030,225		1,030,225	743,770
Bequests	3,901,711	1,188,177		5,089,888	8,461,956
Change in value of beneficial interests in trust assets		59,267		59,267	(16,831)
Net assets released from restrictions	5,097,107	(5,097,107)		-	-
<b>Total support</b>	<b>20,693,642</b>	<b>(1,617,142)</b>	<b>1,000</b>	<b>19,077,500</b>	<b>20,690,749</b>
<b>Revenue:</b>					
Special events (net of direct expenses of \$600,767 for 2015)	2,607,781			2,607,781	1,908,634
Program service revenue	1,245,253			1,245,253	707,699
Net investment (loss) income	(495,902)	(104,849)		(600,751)	138,314
Other income (loss)	151,483			151,483	(4,692)
<b>Total revenue</b>	<b>3,508,615</b>	<b>(104,849)</b>		<b>3,403,766</b>	<b>2,749,955</b>
<b>Total support and revenue</b>	<b>24,202,257</b>	<b>(1,721,991)</b>	<b>1,000</b>	<b>22,481,266</b>	<b>23,440,704</b>
<b>Expenses:</b>					
Program services:					
Breeding and puppy raising	3,111,206			3,111,206	2,823,652
Training and follow-up	6,787,071			6,787,071	6,290,282
Public information	2,940,247			2,940,247	2,704,635
Veterinary	2,055,842			2,055,842	2,022,896
<b>Total program services</b>	<b>14,894,366</b>			<b>14,894,366</b>	<b>13,841,465</b>
Support services:					
Fund development	5,090,385			5,090,385	4,684,831
General administration	1,251,268			1,251,268	1,158,803
<b>Total support services</b>	<b>6,341,653</b>			<b>6,341,653</b>	<b>5,843,634</b>
<b>Total expenses</b>	<b>21,236,019</b>			<b>21,236,019</b>	<b>19,685,099</b>
<b>Change in Net Assets</b>	<b>2,966,238</b>	<b>(1,721,991)</b>	<b>1,000</b>	<b>1,245,247</b>	<b>3,755,605</b>
<b>Net Assets, beginning of year</b>	<b>41,793,428</b>	<b>7,371,347</b>	<b>3,174,667</b>	<b>52,339,442</b>	<b>48,583,837</b>
<b>Net Assets, end of year</b>	<b>\$ 44,759,666</b>	<b>\$ 5,649,356</b>	<b>\$ 3,175,667</b>	<b>\$ 53,584,689</b>	<b>\$ 52,339,442</b>

See accompanying notes to financial statements.

# Canine Companions for Independence, Inc.

## Statement of Functional Expenses

Year Ended December 31, 2015 (with comparative totals for 2014)

	2015								2014 Total
	Program Services					Support Services		Total	
	Breeding and Puppy Raising	Training and Follow-up	Public Information	Veterinary	Subtotal	Fund Development	General Administration		
Salaries	\$ 1,392,840	\$ 3,525,325	\$ 1,440,868	\$ 557,136	\$ 6,916,169	\$ 2,026,822	\$ 662,799	\$ 9,605,790	\$ 9,066,786
Payroll taxes	111,706	282,731	115,558	44,682	554,677	162,551	53,156	770,384	713,627
Employee benefits	207,768	525,867	214,932	83,107	1,031,674	302,338	98,869	1,432,881	1,296,522
Pension plan contributions	63,261	160,116	65,442	25,304	314,123	92,056	30,103	436,282	434,899
Workers compensation insurance	36,962	93,552	38,237	14,785	183,536	53,786	17,589	254,911	257,199
Rent	28,710	72,666	29,700	11,484	142,560	41,778	13,663	198,001	154,467
Bank charges					-	160,025		160,025	131,192
Building maintenance	151,507	383,469	156,731	60,603	752,310	220,468	72,096	1,044,874	563,613
Utilities	63,152	159,840	65,330	25,261	313,583	91,897	30,050	435,530	454,607
Equipment rental and maintenance	38,710	97,977	40,045	15,484	192,216	56,330	18,421	266,967	186,327
Insurance	33,615	85,081	34,774	13,446	166,916	48,916	15,996	231,828	220,896
Program supplies	217,463	194,524	23,564	270,467	706,018	23,564	-	729,582	598,328
Office supplies	14,481	36,652	14,980	5,792	71,905	21,072	6,891	99,868	82,195
Dues and subscriptions	6,486	16,417	6,710	2,594	32,207	9,438	3,087	44,732	43,960
Travel, conventions and meetings	96,461	227,862	275,842	30,261	630,426	246,118	36,000	912,544	865,590
Professional services	181,284	144,091	75,939	770,126	1,171,440	574,087	50,633	1,796,160	2,084,949
Advertising and marketing	2,132	5,396	31,809	853	40,190	14,906	6,947	62,043	33,581
Telephone (data and voice comm.)	69,975	177,110	75,874	27,990	350,949	102,024	33,300	486,273	511,582
Postage and freight	187,513	74,013	19,587	13,594	294,707	181,405	9,011	485,123	464,272
Printing and publications	23,239	58,820	24,041	9,296	115,396	185,984	5,125	306,505	331,819
Allowance for uncollectible pledges					-	207,154		207,154	64,238
Taxes, licenses, and other expenses	8,144	20,614	8,425	3,258	40,441	11,852	3,877	56,170	21,038
<b>Total expenses before depreciation and amortization</b>	<b>2,935,409</b>	<b>6,342,123</b>	<b>2,758,388</b>	<b>1,985,523</b>	<b>14,021,443</b>	<b>4,834,571</b>	<b>1,167,613</b>	<b>20,023,627</b>	<b>18,581,687</b>
Depreciation and amortization	175,797	444,948	181,859	70,319	872,923	255,814	83,655	1,212,392	1,103,412
<b>Total expenses</b>	<b>\$ 3,111,206</b>	<b>\$ 6,787,071</b>	<b>\$ 2,940,247</b>	<b>\$ 2,055,842</b>	<b>\$ 14,894,366</b>	<b>\$ 5,090,385</b>	<b>\$ 1,251,268</b>	<b>\$ 21,236,019</b>	<b>\$ 19,685,099</b>

See accompanying notes to financial statements.

# Canine Companions for Independence, Inc.

## Statement of Cash Flows

<i>Years Ended December 31, 2015 (with comparative totals for 2014)</i>	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 1,245,247	\$ 3,755,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,212,392	1,103,412
Allowance for doubtful accounts	145,000	(20,000)
Loss on disposal of property and equipment	(28,990)	19,138
Contributions-capital campaign	(1,367,725)	(417,500)
Contributions to and changes in pooled income funds	(61,849)	17,365
Unrealized and realized loss on investments	1,003,207	407,943
Changes in operating assets and liabilities:		
Contributions receivable	894,251	(106,856)
Accounts receivable	(605,567)	(82,102)
Bequests receivable	1,053,173	(1,836,279)
Other assets	(1,134,778)	(1,056,655)
Accounts payable and accrued expenses	(78,606)	67,238
Accrued payroll and related expenses	52,743	220,571
Gift annuities payable	(16,874)	565,391
Net cash provided by operating activities	2,311,624	2,637,271
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(10,386,251)	(8,963,487)
Proceeds from sale of investments	9,958,760	9,055,384
Acquisitions of property and equipment	(2,901,024)	(982,968)
Net cash used by investing activities	(3,328,515)	(891,071)
<b>Cash Flows from Financing Activities:</b>		
Collections on capital campaign and endowment	1,275,225	455,000
Net cash provided by financing activities	1,275,225	455,000
<b>Net Increase in Cash and Cash Equivalents</b>	<b>258,334</b>	<b>2,201,200</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>4,854,744</b>	<b>2,653,544</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,113,078</b>	<b>\$ 4,854,744</b>
<b>Noncash Investing Activities:</b>		
Gifts in-kind	\$ 298,340	\$ 33,400
Equipment acquisition in accounts payable	\$ 28,046	\$ 42,957

See accompanying notes to financial statements.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 1 - Summary of Activities and Significant Accounting Policies:

#### a. Organization

Canine Companions for Independence, Inc. (CCI) is a non-profit corporation organized to provide trained assistance dogs and ongoing support to individuals with disabilities. CCI operates regional training facilities in the states of California, Ohio, Florida, New York and Texas. Its National headquarters is located in Santa Rosa, California. CCI's support comes primarily from donor contributions and bequests. The following is a description of the programs and services offered by CCI:

#### *Breeding and puppy raising:*

Since 1975, CCI has developed a proven formula for breeding, raising and training assistance dogs. CCI breeds Labrador Retrievers, Golden Retrievers, and a cross of the two to be assistance dogs.

Volunteer breeder caretakers care for CCI breeder dogs and nurture newborn puppies for eight weeks. From ages eight weeks to eighteen months volunteer puppy raisers care for, provide basic obedience training and socialize CCI puppies. When a CCI puppy reaches the age of about fifteen months he or she is returned to one of CCI's regional centers for professional instruction.

#### *Training and follow up:*

Professional CCI instructors spend six to nine months teaching the dog to master more than forty commands. They train four types of assistance dogs to best serve CCI's clients:

- Service Dogs - assist adults with physical disabilities by performing daily tasks such as picking up dropped items.
- Skilled Companion Dogs - enhance independence for children and adults with physical, cognitive and developmental disabilities.
- Hearing Dogs - alert the deaf and hard of hearing to important sounds.
- Facility Dogs - work with a professional who directly serves clients with disabilities in a visitation, education or healthcare setting.

The matching of students and canines takes place during Team Training, an intensive two-week training course where students learn the skills to command their new assistance dogs. CCI staff knows each individual dog's unique qualities - enabling them to reliably match people with the dog who will best meet their needs. Students also learn techniques to expand the range of commands to meet their particular needs. In addition, each student must demonstrate the ability to provide for the dog's care and wellbeing before graduating with a CCI assistance dog.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### *Public information:*

CCI takes a proactive stance in raising awareness of assistance dogs and challenges faced by people with disabilities. CCI's efforts have produced many articles in national and regional newspapers, magazines and newsletters. CCI has worked with national and regional web, radio, and television broadcasts to bring awareness of CCI's program to millions. Additionally, CCI launched an ongoing ad campaign that includes billboards, buses and trains, print advertising and televised public service announcements.

To keep supporters informed, CCI distributes newsletters, electronic messages and direct mail packages that educate the general public and provide program updates. Additionally, CCI maintains and regularly updates accounts with Facebook, Twitter and YouTube. CCI's web site ([www.cci.org](http://www.cci.org)) provides full access to information about all aspects of their programs and services.

During the year, CCI participated in various outreach events supported by CCI staff and by more than 3,000 volunteers.

### *Veterinary:*

CCI provides health care to all puppies and dogs in professional training. Additionally, CCI provides supplementary veterinary service for puppies and graduate dogs on an as needed basis.

### *Candidate graduation services:*

CCI maintains a waiting list of persons desiring placement with a dog. Individuals are screened, interviewed and selected prior to attending a Team Training class.

After graduation, CCI keeps track of all the teams through follow-up visits and graduate workshops. The main purposes of graduate follow-up visits are to maintain as well as enhance the effectiveness of graduate team well-being.

CCI has also developed customer service and quality control tools known as Graduate Workshops and Graduate Seminars. These provide the graduates one to two day follow-up training at regional centers or in centrally located cities for problem solving and further education to ensure the ongoing success of the assistance dog team. CCI conducts annual graduate seminars at each of CCI's six regional training centers.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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b. Basis of Presentation and Description of Net Assets

CCI uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

*Unrestricted Net Assets:*

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board of Directors has designated approximately \$6,456,000 of unrestricted net assets as an endowment for use in programs and future operations and approximately \$3,484,000 million as an endowment for projects in the Southeast Region (see Note 11).

*Temporarily Restricted Net Assets:*

The portion of net assets whose use by CCI is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CCI.

*Permanently Restricted Net Assets:*

The portion of net assets whose use by CCI is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CCI.

c. Cash and Cash Equivalents

CCI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and not held for investment purposes.

d. Contributions and Pledges Receivable

Contributions and pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in contributed income.

CCI uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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e. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

All debt and equity securities with readily determinable market values are carried at estimated fair value based on market prices. Certain investments are recorded at the lower of their cost or market value. The fair value of the hedge fund and the assets held by Community Foundation Sonoma County are determined using the Net Asset Value (NAV) per share as determined by the investment manager and by the Community Foundation Sonoma County (respectively) under the so called “practical expedient.” The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Funds transferred by CCI to Community Foundation Sonoma County for which CCI is the beneficiary is accounted for under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, Transfer of Assets to a Not-for-Profit Organization (see Note 4) and are held at the net asset value per share as reported by the Community Foundation Sonoma County.

f. Fair Value Measurements

CCI carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. CCI classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Fair Value of Financial Instruments

Some of CCI’s financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such assets and liabilities include: cash and cash equivalents, receivables, other assets, payables, and accrued expenses.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### h. Property, Equipment and Improvements

Property, equipment and improvements are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from five to forty years. Amortization of leasehold improvements is computed over the lesser of the useful life or the term of the related lease.

### i. Split Interest Agreements

#### *Beneficial interests in charitable trust assets:*

Beneficial interests in charitable trust assets include the estimated fair value of CCI's interest in pooled income funds and charitable remainder trusts. Assets of these trusts are held by independent trustees. The fair values are measured by the estimated present value of the remainder interest using applicable mortality tables and approximate discount rate of 2%.

CCI recognizes its remainder interest in the assets received as temporarily restricted contribution revenue in the period in which the assets are received from the donor. Subsequent changes in the estimated fair value are recognized in the statement of activities.

#### *Charitable gift annuities:*

CCI records a gift annuity upon execution of the contract and receipt of the assets. The liability is recorded at the estimated present value of payments using applicable mortality tables and discount rate of approximately 2%.

California Insurance Code (the Code) requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the Code requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of December 31, 2015, CCI had sufficient funds in its reserve fund to meet the California Insurance Code requirements and those funds were invested in accordance with the Code. CCI is in conformance with all laws and regulations in all States it is registered to issue charitable gifts annuities.

### j. Endowment Funds

CCI's endowments include donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### *Interpretation of relevant law:*

The Board of Directors of CCI has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CCI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, (7) the investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires CCI to retain as a fund of perpetual duration.

### *Return objectives and risk parameters:*

CCI has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to exceed the yield of relevant indexes while assuming a moderate level of investment risk. CCI expects its endowment funds, over time, to provide an average rate of return of approximately 7 percent annually. Actual returns in any given year may vary from this amount.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### *Strategies employed for achieving objectives:*

To satisfy its long-term rate-of-return objectives, CCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CCI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending policy and how the investment objectives relate to spending policy:*

Except for the Board Designated endowment fund related to the Martha McCrary Bequest, CCI is reinvesting all interest and gain associated with its endowments until such time as the fund is large enough to significantly fund organization programs. The McCrary funds are appropriated based on the annual needs of the organization's South East Regional Office and can vary year to year, with a goal of maintaining as much principal as possible. Accordingly, over the long term, CCI expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### k. Recognition of Revenue

Contributions and grants are recognized at their fair value when the donor makes an unconditional promise to give to CCI. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CCI is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in CCI's financial statements as bequests receivable when clear title is established and the proceeds are measurable.

Conditional promises to give are not included as support until the conditions are substantially met.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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l. Contributed Services

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of time in CCI's program services and fundraising activities. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not meet the above-mentioned criteria.

m. Functional Expenses

Expenses have been charged to program or supporting service classifications based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among program or support service classifications based on estimated usage.

n. Income Taxes

CCI is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code Sections. Accordingly, no provision for income taxes on related income has been reflected in these financial statements.

CCI follows the guidance on accounting for uncertainty in income taxes issued by FASB ASC Topic 740. As of December 31, 2015, management evaluated CCI's tax positions and concluded that CCI had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

o. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

p. Prior Year Financial Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CCI's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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Certain reclassifications have been made to the 2014 financial statements in order to conform to the 2015 presentation. These reclassifications had no impact on net assets or changes in net assets.

q. Recent Accounting Pronouncements

In February 2016 the Financial Accounting Standards Board (FASB) issued amendments to ASU 2016-02. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020 for a calendar year entity) and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. CCI is currently evaluating the impact on this guidance.

In May 2015, FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. CCI adopted ASU 2015-07 effective December 31, 2015.

r. Subsequent events

The management of CCI has reviewed the change in net assets for the period of time from its year ended December 31, 2015 through June 10, 2016, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure, except as described in Notes 2, 4 and 12.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 2 - Contributions Receivable:

Contributions receivable consist of the following at December 31, 2015:

Contributions receivable	\$ 448,172
Pledges receivable, net of allowance of \$30,000	902,662
Federal and state employee pledges, net of allowance of \$52,560	195,440
	<hr/>
	\$ 1,546,274
	<hr/>

At December 31, 2015, contributions receivable are due as follows:

Receivable in Less than One Year	\$ 1,203,462
Receivable in One to Five Years	342,812
	<hr/>
	\$ 1,546,274
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#### *Pledges receivable:*

Pledges receivable include amounts related to CCI's \$20 million capital campaign for the North Central Region to expand and support future operations. As of December 31, 2015, CCI has raised \$1,696,232 which include cash collections of \$1,030,225 and a long-term pledge commitment of \$500,000. CCI utilized \$1,366,338 during 2015 in accordance with the donors' wishes.

Additionally, during 2014, CCI received an intent to give of \$2 million to be distributed over six years in support of the capital campaign for the North Central Region. The intent to give is subject to annual approval by the donor and is excluded from the outstanding receivable at year-end. As of December 31, 2015, the remaining balance of the intent to give is \$1,600,000.

Subsequent to year end, CCI received an anonymous pledge of \$1 million to be distributed in monthly installments of \$50,000 beginning March 2016. The pledge is restricted to support the capital campaign for the North Central Region.

#### *Federal and State employee pledges:*

CCI is a beneficiary of funds collected through payroll deductions of Federal and State employees through two agencies, Animal Funds of America and Independent Charities of America. Pledges designated through both agencies are made in September and reported to CCI the following April. The combined federal campaign pledge receivable as of December 31, 2015 represents amounts due for the September 2014 campaign. Amounts due from the September 2015 campaign are not yet determinable, and therefore, have not been recorded.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 3 - Bequests Receivable:

CCI is the beneficiary under several wills and trust agreements in which clear title has been established and the proceeds are measurable. As of December 31, 2015, the total of these expectancies is \$1,648,025. Management believes that all bequest expectancies are collectible.

As of December 31, 2015, CCI also has various bequests which are in process. However, the amount to be received is not yet determinable. No value has been recorded on these bequests.

### Note 4 - Investments:

Investments consist of the following at December 31, 2015:

Cash and cash equivalents	\$ 508,522
U.S. and international equities	1,042,353
Exchange traded funds	1,241,346
Government obligations	67,501
Mutual funds	7,306,596
Hedge fund	1,464,602
Investments held by Community Foundation Sonoma County	4,141,863
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Subtotal	15,772,783
Private equity, at cost	26,940
Certificates of deposit, at cost	4,560,000
<hr/>	
	\$ 20,359,723

Net investment loss, including amounts earned on assets at Community Foundation, Sonoma County, consists of the following at December 31, 2015:

Interest and dividends	\$ 402,456
Net realized and unrealized loss	(1,003,207)
<hr/>	
	\$ (600,751)

CCI established and maintains a component fund (the Fund) at Community Foundation Sonoma County (the Foundation) to benefit CCI. The Fund is established as an expendable fund. As an expendable fund, the Foundation may grant to CCI both principal and earnings at the request of CCI.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

As part of the requirements of the Foundation, the Foundation is granted variance power in the event that a restriction or condition of a component fund is incapable of fulfillment. Per terms of the agreement with CCI, in such a situation, the Foundation may make grants from the Fund to such organizations that most nearly serve the purposes and objectives for which the Fund was established. The agreement may be terminated by either party.

Subsequent to year end, CCI liquidated the majority of their investments with exception of those held with the Community Foundation Sonoma County. The investment balance of approximately \$8,524,000 was transferred to the Marin Community Foundation to establish the Canine Companions for Independence – Board Designated Endowment Fund. The funds were allocated among the Marin Community Foundation’s equity and fixed income pools.

### Note 5 - Fair Value Measurements and Net Asset Value Disclosure:

The table below presents the balances of assets measured at fair value at December 31, 2015 on a recurring basis.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Cash and cash equivalents	\$ 508,522	\$ 508,522	
U.S. and international equities	1,042,353	1,042,353	
Exchange traded funds	1,241,346	1,241,346	
Mutual funds:			
Fixed income	2,767,879	2,767,879	
Global equity	2,823,665	2,823,665	
Domestic equity	1,610,536	1,610,536	
Complimentary	26,815	26,815	
Real assets	77,701	77,701	
Government obligations	67,501		\$ 67,501
Hedge fund measured at net asset value	1,464,602		
Investments held by Community Foundation Sonoma County measured at net asset value	4,141,863		
<b>Total investments</b>	<b>15,772,783</b>	<b>10,098,817</b>	<b>67,501</b>
Split interest agreements	983,517		983,517
Investments held for deferred compensation	382,211	382,211	
<b>Total assets measured at fair value</b>	<b>\$ 17,138,511</b>	<b>\$ 10,481,028</b>	<b>\$ 1,051,018</b>

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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The schedule above does not include certificates of deposit. Certificates of deposit are not subject to fair value measurements as they do not meet the definition of an equity security. In accordance with Subtopic 820-10, the investments in the Hedge Fund and held by Community Foundation Sonoma County are valued using the Net Asset Value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

### *Net asset value disclosure:*

CCI uses the Net Asset Value (NAV) as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The investment held by the Foundation (see Note 4) represents CCI's donor restricted endowment assets, including earning which have not yet been withdrawn. The assets are invested in the endowment pool of the Foundation. The endowment pool focuses on a long-term strategy designed to protect assets against inflation over time. The target asset allocation, which was revised in 2015 to provide further diversification and reduce volatility, includes five categories of stocks (55%), three categories of bonds (30%), and (15%) in satellite portfolio. The core of the portfolio consists of investments that track major market indices with minimal tracking error (defined as the standard deviation of excess return). Additional positions, known as satellites, are added to the portfolio that allow for greater flexibility regarding tracking error and portfolio allocations relative to the core portfolio. The investment may be redeemed on a daily basis and are subject to restrictions by the Board of Directors at the Community Foundation.

During 2015, CCI invested in a hedge fund with a fair value of \$1,464,602, redemption is permitted quarterly with a 65-day notice. There were no unfunded commitments as of December 31, 2015. The hedge fund consists of investment of funds, which in aggregate, represent a number of underlying funds with a wide range of investment strategies. The investment in investment funds primarily consist of funds that are event driven, relative value, directional equity and directional macro.

### **Note 6 - Revocable Funds:**

Two funds were established by an outside donor under the administration of Community Foundation Sonoma County, to support the mission and activities of CCI. Fund A is a permanent endowment fund with a balance of approximately \$538,000 at December 31, 2015. Distributions from this fund are subject to the Community Foundation's endowment spending policy. Fund B is an expendable fund with a balance of approximately \$2,026,000 at December 31, 2015. As these funds are revocable, they are not included on the Statement of Financial Position at December 31, 2015. During 2015, CCI requested and received a distribution from Fund A for \$77,715 and Fund B of \$400,000 for its programs.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 7 - Property, Equipment and Improvements:

Property, equipment and improvements consisted of the following at December 31, 2015:

Buildings and land	\$ 27,997,420
Leasehold improvements	4,508,710
Office equipment	3,674,364
Automotive equipment	761,549
	<hr/>
	36,942,043
Less accumulated depreciation and amortization	(13,126,761)
	<hr/>
	\$ 23,815,282

Depreciation and amortization expense totaled \$ 1,212,392 for 2015.

### Note 8 - Other Assets

Other assets at December 31, 2015 consisted of the following:

Inventories	\$ 296,455
Investments held for deferred compensation plans	382,211
Land held for sale	1,127,099
Note receivable	64,531
Split interest agreements	983,516
Other	328,890
	<hr/>
	\$ 3,182,702

The land held for sale represents a donation to CCI in accordance with CCI's Gift Acceptance Policy. The land was donated to benefit the Southeast region for its general operating purposes. The land is being actively marketed for sale.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 9 - Line of Credit:

CCI obtained a revolving line of credit (LOC) of \$4,000,000 to finance operations as necessary. The line has an interest rate of 4.25% and a commitment fee of 0.375% for the term of the loan. The LOC will mature in two years and will expire in October 2017. CCI has not applied for any other credit facilities. There was no balance outstanding on the line of credit as of December 31, 2015.

There are financial covenants applicable to the line of credit. As of December 31, 2015, CCI was in compliance with all financial covenants.

### Note 10 - Temporarily Restricted Net Assets:

Property, equipment and improvements	\$ 785,101
Split interest agreements	983,517
Program and time restrictions, including accumulated endowment income	1,863,669
Bequests receivable	2,017,069
	<hr/>
	\$ 5,649,356

Net assets were released during 2015 in accordance with the donors' intent or release of time restrictions as follows:

Purpose and time restrictions	\$ 2,888,792
Bequests receivable	2,208,315
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Total restrictions released	\$ 5,097,107

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

**Note 11 - Endowments:**

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:				
General use		\$ 969,334	\$ 3,175,667	\$ 4,145,001
Board Designated:				
Earnings available for general use	\$ 6,456,350			6,456,350
Earnings available for general use by the Southeast Region	3,484,077			3,484,077
Total	\$ 9,940,427	\$ 969,334	\$ 3,175,667	\$ 14,085,428

Changes in Endowment Net Asset for the year ended December 31, 2015:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 8,979,857	\$ 1,074,183	\$ 3,174,667	\$ 13,228,707
Interest and dividends	276,334	49,291		325,625
Net gain (realized and unrealized)	(722,907)	(154,140)		(877,047)
Net investment income	(446,573)	(104,849)		(551,422)
Contributions	164,167		1,000	165,167
Appropriation of endowment assets for expenditure	(615,236)			(615,236)
Transfers	1,858,212			1,858,212
Endowment Net Assets, end of year	\$ 9,940,427	\$ 969,334	\$ 3,175,667	\$ 14,085,428

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 12 - Commitments:

CCI entered into several lease agreements for its headquarters and regional offices. Subsequent to year end, CCI extended its lease agreement for the CCI Whelping Center through May 31, 2021. The approximate future minimum lease payments related to these leases are as follows:

Year Ended	
December 31,	
2016	\$ 201,000
2017	196,000
2018	195,000
2019	200,000
2020	206,000
Thereafter	87,000
	<hr/>
	\$ 1,085,000

Rent expenses under all operating leases and storage facilities amounted to \$198,001 for the year ended December 31, 2015.

CCI also leases property for its southwest regional center under a thirty-year lease ending August 2025. There is a ten-year renewal option. This property is leased to CCI rent-free with the agreement that the premises will be used exclusively for the purpose of assistance dog training and other related purposes.

### Note 13 - Pension Plans:

CCI sponsors a 403(b) defined contribution pension plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by CCI are based on eligible compensation and include elective and matching contributions not to exceed 6% of compensation for 2015. For the year ended December 31, 2015, the amount of pension expense was \$436,282.

CCI also has a 457(b) deferred compensation plan for certain management personnel. The employees may elect to defer a certain portion of their salary. The plan does not allow contributions from CCI.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### **Note 14 - Concentrations of Credit Risk:**

CCI has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, and receivables.

CCI invests its excess cash and investments with various financial institutions. These deposits include amounts over the federally insured limits.

Receivables consist primarily of unsecured amounts due from individuals, trusts, and estates. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Approximately 7% of contributed income for the year ended December 31, 2015 was attributable to one donor.

Total contributions from board members are approximately \$2 million for the year ended December 31, 2015.

### **Note 15 - Affiliation Agreement:**

Baylor Scott & White Health (BSWH) and Canine Companions for Independence (CCI) entered into an affiliation and management agreement effective September 30, 2013. The parties intend to cooperate in the development of CCI's South Central Training Center in Irving, Texas to be built and owned by BSWH at its sole cost and expense in Texas which will be operated, staffed and managed by CCI. The new campus, built and owned by BSWH, opened October 2015. Initial construction includes dormitory rooms and kennels with the overall objective of developing a campus capable of graduating approximately 60 new assistance dog teams per year.

The initial term of the agreement is for 10 years. In consideration of the benefits of affiliation with CCI and CCI's commitment to establishing and operating a whelping center near its campus in Santa Rosa; BSWH made a one-time contribution to CCI of \$500,000 helped fund the operating costs of the whelping center for its first 3 years. Besides ensuring the underwriting of the operating costs of the CCI program in Texas, BSWH will also pay CCI a \$235,000 fee for the first 3 years of development and operation of the Training Center, beginning January 1, 2014. In subsequent years, BSWH will be charged an annual fee not to exceed 7% of the mutually approved annual budget for the Training Center. Total outstanding on from BSWH at December 31, 2015 was \$687,669.