

CANINE COMPANIONS FOR  
INDEPENDENCE, INC.

DECEMBER 31, 2009

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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
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 20

**Independent Auditors' Report**

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

We have audited the accompanying statement of financial position of **CANINE COMPANIONS FOR INDEPENDENCE, INC. (CCI)** as of December 31, 2009 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CCI's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CCI's 2008 financial statements, and, in our report dated May 5, 2009, we expressed an unqualified opinion.

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 Canine Companions for Independence, Inc. as of December 31, 2009 and changes in net assets, functional expenses and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

April 21, 2010

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# Canine Companions for Independence, Inc.

## Statement of Financial Position

<i>December 31,</i>	2009	2008
<b>Assets</b>		
Cash and cash equivalents	\$ 4,570,427	\$ 3,820,782
Contributions receivable, net	1,318,669	795,971
Pledges receivable, net	275,690	437,211
Bequests receivable	1,814,593	2,925,663
Investments	10,766,733	7,865,177
Assets held by Community Foundation	3,334,522	2,744,379
Property, equipment and improvements, net	23,920,126	24,591,398
Other assets	544,058	662,894
	<b>\$ 46,544,818</b>	<b>\$ 43,843,475</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 218,267	\$ 267,942
Accrued payroll and related expenses	825,268	758,270
Gift annuities payable	126,001	107,976
Loans payable	2,205,016	3,500,000
Deferred compensation	25,753	20,251
Total liabilities	3,400,305	4,654,439
<b>Net Assets:</b>		
Unrestricted	36,350,690	30,749,450
Temporarily restricted	3,638,884	5,285,007
Permanently restricted	3,154,939	3,154,579
Total net assets	43,144,513	39,189,036
	<b>\$ 46,544,818</b>	<b>\$ 43,843,475</b>

# Canine Companions for Independence, Inc.

## Statement of Activities and Changes in Net Assets

Year Ended December 31, 2009 (with comparative totals for 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support:</b>					
Contributions	\$ 7,922,619	\$ 20,808		\$ 7,943,427	\$ 7,860,401
Capital campaign support	1,756,576			1,756,576	1,434,550
Bequests	4,257,548	1,023,909	\$ 360	5,281,817	4,658,466
Change in value of beneficial interests in trust assets		(114,202)		(114,202)	(199,356)
Net assets released from restrictions	2,755,731	(2,755,731)			
<b>Total support</b>	<b>16,692,474</b>	<b>(1,825,216)</b>	<b>360</b>	<b>14,867,618</b>	<b>13,754,061</b>
<b>Revenue:</b>					
Special events (net of direct expenses of \$456,452 for 2009)	1,216,283			1,216,283	1,245,487
Program service revenue	72,074			72,074	76,380
Sale of merchandise (net of purchases of \$106,725 for 2009)	14,172			14,172	28,822
Net investment income (loss)	1,517,602	179,093		1,696,695	(2,270,061)
Other	15,316			15,316	26,146
<b>Total revenue</b>	<b>2,835,447</b>	<b>179,093</b>		<b>3,014,540</b>	<b>(893,226)</b>
<b>Total support and revenue</b>	<b>19,527,921</b>	<b>(1,646,123)</b>	<b>360</b>	<b>17,882,158</b>	<b>12,860,835</b>
<b>Expenses:</b>					
Program services:					
Breeding and puppy raising	2,088,276			2,088,276	2,050,283
Training and follow-up	5,145,954			5,145,954	4,932,157
Public information	1,985,708			1,985,708	2,056,514
Veterinary	1,654,503			1,654,503	1,560,493
<b>Total program services</b>	<b>10,874,441</b>			<b>10,874,441</b>	<b>10,599,447</b>
Support services:					
Fund development	2,109,017			2,109,017	2,246,151
General administration	943,223			943,223	894,165
<b>Total support services</b>	<b>3,052,240</b>			<b>3,052,240</b>	<b>3,140,316</b>
<b>Total expenses</b>	<b>13,926,681</b>			<b>13,926,681</b>	<b>13,739,763</b>
<b>Change in Net Assets</b>	<b>5,601,240</b>	<b>(1,646,123)</b>	<b>360</b>	<b>3,955,477</b>	<b>(878,928)</b>
<b>Net Assets, beginning of year</b>	<b>30,749,450</b>	<b>5,285,007</b>	<b>3,154,579</b>	<b>39,189,036</b>	<b>40,067,964</b>
<b>Net Assets, end of year</b>	<b>\$ 36,350,690</b>	<b>\$ 3,638,884</b>	<b>\$ 3,154,939</b>	<b>\$ 43,144,513</b>	<b>\$ 39,189,036</b>

## Canine Companions for Independence, Inc.

### Statement of Functional Expenses

Year Ended December 31, 2009 (with comparative totals for 2008)

	2009								2009 Total	2008 Total
	Program Services					Support Services				
	Breeding and Puppy Raising	Training and Follow-up	Public Information	Veterinary	Subtotal	Fund Development	General Administration			
Salaries	\$ 967,934	\$ 2,784,470	\$ 1,040,862	\$ 424,300	\$ 5,217,566	\$ 875,119	\$ 537,007	\$ 6,629,692	\$ 6,502,427	
Payroll taxes	76,692	220,621	82,470	33,618	413,401	69,338	42,548	525,287	518,573	
Employee benefits	107,187	308,345	115,262	46,986	577,780	96,908	59,467	734,155	684,081	
Pension plan contributions	40,953	117,811	44,039	17,952	220,755	37,026	22,721	280,502	257,038	
Workers compensation insurance	8,451	24,312	9,088	3,705	45,556	7,641	4,689	57,886	163,049	
Rent	3,955	11,377	4,253	1,734	21,319	3,576	2,194	27,089	46,139	
Interest and bank charges	18,010	51,810	19,367	7,895	97,082	103,667	9,991	210,740	147,357	
Building maintenance	57,054	164,128	61,353	25,010	307,545	51,583	31,654	390,782	368,038	
Utilities	61,060	175,653	65,661	26,766	329,140	55,205	33,876	418,221	362,383	
Equipment rental and maintenance	20,678	59,484	22,236	10,533	112,931	18,695	11,471	143,097	137,971	
Insurance	31,826	91,555	34,224	13,951	171,556	28,774	17,658	217,988	213,393	
Program supplies	127,501	164,447	12,283	176,390	480,621	12,283		492,904	475,734	
Office supplies	11,374	32,719	12,231	4,986	61,310	10,283	6,309	77,902	91,859	
Dues and subscriptions	4,364	12,555	4,693	1,913	23,525	3,946	2,421	29,892	27,803	
Travel, conventions and meetings	47,243	114,366	160,478	12,827	334,914	26,457	16,235	377,606	528,110	
Professional services	170,723	158,208	36,331	744,907	1,110,169	70,334	22,177	1,202,680	1,202,778	
Advertising and marketing	894	2,571	19,494	392	23,351	13,999	494	37,844	38,413	
Telephone	33,742	97,065	40,597	14,791	186,195	30,748	18,719	235,662	216,350	
Postage and freight	130,458	70,660	19,939	12,125	233,182	173,812	10,287	417,281	423,434	
Printing and publications	19,433	55,904	20,897	8,519	104,753	201,392	10,782	316,927	310,737	
Taxes and licenses	3,440	9,896	3,699	1,508	18,543	3,110	1,908	23,561	19,964	
Other expenses	47	136	51	21	255	83,793	27	84,075	98,450	
<b>Total expenses before depreciation and amortization</b>	<b>1,943,019</b>	<b>4,728,093</b>	<b>1,829,508</b>	<b>1,590,829</b>	<b>10,091,449</b>	<b>1,977,689</b>	<b>862,635</b>	<b>12,931,773</b>	<b>12,834,081</b>	
Depreciation and amortization	145,257	417,861	156,200	63,674	782,992	131,328	80,588	994,908	905,682	
<b>Total expenses</b>	<b>\$ 2,088,276</b>	<b>\$ 5,145,954</b>	<b>\$ 1,985,708</b>	<b>\$ 1,654,503</b>	<b>\$ 10,874,441</b>	<b>\$ 2,109,017</b>	<b>\$ 943,223</b>	<b>\$ 13,926,681</b>	<b>\$ 13,739,763</b>	

The accompanying notes are an integral part of this statement.

# Canine Companions for Independence, Inc.

## Statement of Cash Flows

<i>Years Ended December 31,</i>	2009	2008
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 3,955,477	\$ (878,928)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	994,908	905,682
Allowance for doubtful accounts	83,750	98,450
Loss on disposal of assets		102,376
Donated property	(73,750)	(10,000)
Contributions-capital campaign and endowment	(10,000)	(245,000)
Contributions to and changes in pooled income funds	52,660	220,861
Unrealized and realized (gains) losses on investments	(1,430,980)	2,526,184
Contributions of investment securities	(40,128)	(445,967)
Changes in operating assets and liabilities:		
Contributions receivable	(485,735)	(137,964)
Bequests receivable	1,111,070	2,753
Other assets	71,678	(44,049)
Accounts payable and accrued expenses	(49,676)	(697,203)
Accrued payroll and related expenses	66,998	46,111
Gift annuities payable	18,025	16,070
<b>Net cash provided by operating activities</b>	<b>4,264,297</b>	<b>1,459,376</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(5,210,248)	(4,961,480)
Proceeds from sale of investments	3,189,657	1,392,916
Acquisitions of property and equipment	(249,885)	(4,289,520)
<b>Net cash used by investing activities</b>	<b>(2,270,476)</b>	<b>(7,858,084)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from loans payable	2,500,000	3,500,000
Payments of loans payable	(3,794,984)	
Collections on capital campaign and endowment	50,808	304,225
<b>Net cash (used) provided by financing activities</b>	<b>(1,244,176)</b>	<b>3,804,225</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>749,645</b>	<b>(2,594,483)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>3,820,782</b>	<b>6,415,265</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 4,570,427</b>	<b>\$ 3,820,782</b>
<b>Supplemental Data:</b>		
Interest paid	\$ 123,356	\$ 62,458
<b>Noncash Investing Activities:</b>		
Gifts in-kind	\$ 102,285	\$ 54,990

# 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 and New York. Its National headquarters is located in Santa Rosa, California. CCI's support comes primarily from donor contributions and bequests.

b. 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.

c. 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. For 2009, the 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.

d. Investments

All debt and equity securities with readily determinable market values are carried at estimated fair value based on market prices. Investments received through gifts are recorded at estimated fair value at the date of donation

Gains and losses are recognized in the Statement of Activities in the period such fluctuations occur. Dividend and interest income are accrued when earned.

e. Assets Held by Community Foundation

Funds transferred by CCI to Community Foundation, Sonoma County for which CCI is the beneficiary is accounted for under FASB ASC Topic 958-605 Transfer of Assets to a Not-for-Profit Organization (see Note 7).

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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f. 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 three to forty years. Amortization of leasehold improvements is computed over the lesser of the useful life or the term of the related lease.

g. 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 3%.

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 3%.

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 law requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of December 31, 2009, 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.

h. Description of Net Assets

CCI reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### *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 \$2,500,000 of unrestricted net assets as an endowment for use in programs and future operations and approximately \$4,000,000 as an endowment for projects in the Southeast Region (see Note 13).

### *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.

#### i. 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.

#### *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.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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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.

### *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 organizations 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.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### j. 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.

### k. 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.

### l. 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 adopted FASB ASC Topic 740 related to accounting for uncertain tax positions on January 1, 2009. As of the date of adoption, management evaluated CCI's tax positions and concluded that CCI had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Should CCI incur interest and penalties relating to tax uncertainties, such amounts would be classified as a component of interest expense and operating expense, respectively. With few exceptions, CCI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2005.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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m. 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.

n. Subsequent Events

In May 2009, the FASB updated ASC Topic 855 - Subsequent Events (ASC 855) to establish the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. CCI adopted the updates to ASC 855. The updates to ASC 855 did not impact CCI's financial statements. CCI evaluated subsequent events with respect to the financial statements for the year ended December 31, 2009 through April 14, 2010, the date the financial statements are available to be issued.

o. Prior Year Financial Information

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, 2008, from which the summarized information was derived.

Certain reclassifications have been made to the prior year financial statements in order for them to conform to current year presentation. These reclassifications had no effect on net assets or change in net assets.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

p. Recent Accounting Pronouncements

The FASB has issued ASU No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. This ASU update of ASC 820 requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in ASC 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. The change to ASC 820 as described in ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. CCI does not believe the update to ASC 820 will have a material impact on its financial statements.

The FASB has published FASB Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820)—Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This Update amends Subtopic 820-10, *Fair Value Measurements and Disclosures—Overall*, to permit a reporting entity to measure the fair value of certain investments on the basis of the net asset value per share of the investment (or its equivalent). This Update to ASC 820 also requires new disclosures, by major category of investments, about the attributes includes of investments within the scope of this amendment to the Codification. CCI has evaluated the pronouncement and it did not have a material impact on its financial statements.

**Note 2 - Contributions Receivable:**

Contributions receivable consist of the following at December 31, 2009:

Contributions receivable	\$ 1,030,511
Federal and state employee pledges, net of allowance of \$72,040	288,158
	<hr/>
	\$ 1,318,669

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, 2009 represents amounts due for the September 2008 campaign. Amounts due from the September 2009 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 - Pledges Receivable:

Pledges receivable consist of the following at December 31, 2009:

	Unrestricted	Capital Campaign	Total
Pledges receivable	\$ 165,281	\$ 258,744	\$ 424,025
Less discount	(5,752)	(10,233)	(15,985)
Less allowance for uncollectible pledges	(82,350)	(50,000)	(132,350)
	<hr/>	<hr/>	<hr/>
	\$ 77,179	\$ 198,511	\$ 275,690

Pledges are expected to be received as follows:

December 31,	Unrestricted	Capital Campaign
2010	\$ 84,281	\$ 103,754
2011	42,750	88,755
2012	25,625	31,155
2013	12,625	17,540
2014		17,540
	<hr/>	<hr/>
	\$ 165,281	\$ 258,744

### Note 4 - Bequests Receivable:

CCI is the beneficiary under several wills and trust agreements in which clear title has been established and the proceeds are measurable. Management believes that all bequest expectancies are collectible.

As of December 31, 2009, CCI has various bequests which are in process. However, the amount to be received is not yet determinable and therefore, no value has been recorded.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 5 - Investments:

Investments consist of the following at December 31, 2009:

Cash and cash equivalents	\$ 44,680
Common stock	80,391
Mutual funds	6,565,963
Government obligations	175,199
Certificates of deposit	3,875,877
	<hr/>
	10,742,110
Other at cost	24,623
	<hr/>
Total	\$ 10,766,733

Net investment income, including amounts earned on assets at Community Foundation, Sonoma County, consists of the following at December 31, 2009:

Interest and dividends	\$ 312,165
Net realized/unrealized loss	1,430,980
Less: investment fees	(46,450)
	<hr/>
	\$ 1,696,695

### Note 6 - Fair Value Measurements:

CCI adopted the FASB ASC 820, *Fair Value Measurements and Disclosures* in 2008 which defines fair value 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 and establishes a framework for measuring fair value. FASB ASC 820 prioritizes an entity's use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure 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.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

The table below presents the balances of assets measured at fair value at December 31, 2009 on a recurring basis.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Cash and cash equivalents	\$ 44,680	\$ 44,680	
Common stock	80,391	80,391	
Mutual funds	6,565,963	6,565,963	
Government obligations	175,199	175,199	
Certificates of deposits	3,875,877		\$ 3,875,877
Total investments	10,742,110	6,866,233	3,875,877
Split interest agreements	206,291		206,291
Investments held for deferred compensation	25,753	25,753	
Assets held by Community Foundation	3,334,522		3,334,522
<u>Total assets measured at fair value</u>	<u>\$ 14,308,676</u>	<u>\$ 6,891,986</u>	<u>\$ 7,416,690</u>

### *Financial Instruments Not Measured at Fair Value*

Some of the 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, note receivable, prepaid expense, contribution receivables, payables, and the line of credit and note payable.

### **Note 7 - Assets Held by Community Foundation:**

In 2003, CCI established a component 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 expend both principal and earnings at the request of CCI.

The funds held by the Foundation represent CCI's endowment assets, including earnings which have not yet been withdrawn. The assets are held in an investment pool selected by CCI.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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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.

### Note 8 - Revocable Funds:

During June 1995, 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 \$1,885,000 at December 31, 2009. Fund B is an expendable fund with a balance of approximately \$2,070,000 at December 31, 2009. As these funds are revocable, they are not included on the Statement of Financial Position at December 31, 2009.

### Note 9 - Property, Equipment and Improvements:

Property, equipment and improvements consisted of the following at December 31, 2009:

Buildings and land	\$ 25,406,702
Leasehold improvements	3,029,033
Office equipment	3,150,793
Automotive equipment	589,780
	<hr/>
	32,176,308
Less accumulated depreciation and amortization	(8,256,182)
	<hr/>
	\$ 23,920,126

Depreciation and amortization expense totaled \$994,908 for 2009.

See Note 11 regarding terms and restrictions related to CCI's credit facilities, which are collateralized by certain property and equipment.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 10 - Other Assets

Other assets at December 31 consisted of the following:

Note receivable	\$ 75,472
Prepaid expense	236,542
Split interest agreements	206,291
Investments held for deferred compensation	25,753
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	\$ 544,058

### Note 11 - Credit Facilities:

In April of 2009 CCI established a revolving line of credit (LOC) of \$1,000,000 for use as necessary in operations. The line has a floating interest rate of 3.5% above the 1 month LIBOR rate and has a commitment fee of 0.25% on unused balances. The LOC has a one year maturity date and expires in April 2010. There was no balance outstanding on the line of credit as of December 31, 2009. Subsequent to year end, CCI renewed the LOC for an additional year the LOC will expire in April 2011.

During 2009, CCI entered into a \$2,500,000 term loan. CCI also entered into a swap agreement which effectively fixed the rate on the term loan at 5.96% over the life of the loan. The term loan is fully amortized over a five year period with a maturity date of April 1, 2014. As of December 31, 2009, there is a balance due of \$2,205,016.

There are certain financial covenants and restrictions applicable to the line of credit and the term loan. Significant restrictions include that certain property and equipment are collateral for the loans and CCI may not sell or encumber any assets (other than in the ordinary course of business) or incur other indebtedness. As of December 31, 2009, CCI was in compliance with all covenants of the loans.

Principal payments required to be made in future years are summarized as follows:

2010	\$ 460,516
2011	488,672
2012	518,552
2013	550,260
2014	187,016
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	\$ 2,205,016

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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As discussed above, CCI is a party to an interest rate swap contract executed with Wells Fargo Bank. Under the swap contract, CCI agreed to pay fixed rates on a notional amount of \$2,205,016 at December 31, 2009. The swap contract expires on April 1, 2014. The fair value of the swap contract at December 31, 2009 was approximately \$34,000.

### Note 12 - Temporarily Restricted Net Assets:

Temporarily restricted net assets as of December 31, 2009 are available for the following purposes or periods:

Property, equipment and improvements	\$ 220,000
Split interest agreements	206,291
Program and time restrictions	1,398,000
Bequests receivable	1,814,593
	<hr/>
	\$ 3,638,884

Net assets were released during 2009 in accordance with the donors' intent or release of time restrictions as follows:

Program and time restrictions	\$ 620,755
Bequests receivable	2,134,976
	<hr/>
Total restrictions released	\$ 2,755,731

### Note 13 - Endowments:

In 2008, CCI implemented FASB ASC Topic 958-205 "Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its SPMIFA which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009.

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

### Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted:				
General use by South Regional center		\$ 179,582	\$ 3,154,939	\$ 3,334,521
Board Designated:				
Earnings available for general use	\$ 2,520,081			2,520,081
Earnings available for general use by Southeast Regional center	3,970,320			3,970,320
<b>Total Funds</b>	<b>\$ 6,490,401</b>	<b>\$ 179,582</b>	<b>\$ 3,154,939</b>	<b>\$ 9,824,922</b>

### Changes in Endowment Net Asset for the year ended December 31, 2009:

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, beginning of year	\$ 3,891,277		\$ 3,154,579	\$ 7,045,856
Investment Return:				
Income	148,594	\$ 47,495		196,089
Net gain (realized and unrealized)	1,262,316	132,087		1,394,403
<b>Total Investment Return</b>	<b>1,410,910</b>	<b>179,582</b>		<b>1,590,492</b>
Contributions	1,288,214		360	1,288,574
Appropriation of endowment assets for expenditure	(100,000)			(100,000)
<b>Endowment Net Assets, end of year</b>	<b>\$ 6,490,401</b>	<b>\$ 179,582</b>	<b>\$ 3,154,939</b>	<b>\$ 9,824,922</b>

# Canine Companions for Independence, Inc.

## Notes to Financial Statements

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### Note 14 - Commitments:

#### Operating Lease

CCI leases certain training and office facilities. There are no operating leases under these agreements that have remaining terms in excess of one year as of December 31, 2009.

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.

For the year ended December 31, 2009, total rent expense was \$27,089.

### Note 15 - 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 salary. For the year ended December 31, 2009, the amount of pension expense was \$280,502.

CCI has a deferred compensation plan that covers one employee. The balance of the plan continues to be held by the trustee under the terms of the agreement. No contributions were made to the plan during 2009.

CCI implemented a 457(b) 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.

### Note 16 - 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. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Approximately 20% of contributed income for the year ended December 31, 2009 was attributable to one donor. Approximately 46% of contributions receivable was attributable to this donor.

Total contributions from board members are approximately \$2,000,000 for the year ended December 31, 2009.