

**K9S For Warriors, Inc.**

**(A Not-For-Profit Corporation)**

**Audited Financial Statements**

**Years Ended December 31, 2016 & 2015**

# **K9S For Warriors, Inc.**

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**December 31, 2016 and 2015**

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# Robert M. Thaggard, *Certified Public Accountant*

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## Independent Auditor's Report

To the Board of Directors  
K9S For Warriors, Inc.  
Ponte Vedra, Florida

I have audited the accompanying financial statements of K9S For Warriors, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, 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 presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of K9S For Warriors, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

The financial statements of the Organization for the year ended December 31, 2015, were audited by another auditor who expressed an unqualified opinion on those statements on April 27, 2016.



Robert M. Thaggard, CPA  
June 2, 2017

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# K9S For Warriors, Inc.

## Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,478,030	\$ 4,674,811
Other receivables	213,563	-
Pledges receivable	10,791	4,500
Investments	2,943,483	866,445
Other current assets	229,215	63,826
<b>Total Current Assets</b>	<u>8,875,082</u>	<u>5,609,582</u>
<b>Property and Equipment, net of accumulated depreciation</b>	<u>9,243,066</u>	<u>5,668,809</u>
<b>Total Assets</b>	<u>\$ 18,118,148</u>	<u>\$ 11,278,391</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 317,170	\$ 81,326
Current portion of capital lease payable	44,264	2,363
<b>Total Current Liabilities</b>	<u>361,434</u>	<u>83,689</u>
<b>Capital Lease Payable-long term portion</b>	<u>101,935</u>	<u>7,285</u>
<b>Total Liabilities</b>	<u>463,369</u>	<u>90,974</u>
<b>Net Assets</b>		
Unrestricted net assets	12,325,341	8,520,263
Temporarily restricted net assets	955,784	413,500
Permanently restricted net assets	4,373,654	2,253,654
<b>Total Net Assets</b>	<u>17,654,779</u>	<u>11,187,417</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,118,148</u>	<u>\$ 11,278,391</u>

# K9S For Warriors, Inc.

## Statements of Activities

Years Ended December 31, 2016 and 2015

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes In Net Assets</b>				
<b>Support and Revenues:</b>				
Contributions	\$ 6,227,668	\$ 955,784	\$ -	\$ 7,183,452
Dogs in service	1,565,053	-	-	1,565,053
In-kind contributions	121,018	-	2,120,000	2,241,018
Special Events-Net	12,607	-	-	12,607
Investment income	35,378	-	-	35,378
Miscellaneous Income	10,410	-	-	10,410
Other income	28,187	-	-	28,187
<b>Total Support and Revenues</b>	<b>8,000,321</b>	<b>955,784</b>	<b>2,120,000</b>	<b>11,076,105</b>
<b>Expenses:</b>				
Program services	3,720,833	-	-	3,720,833
Support services:				
Management and general	351,164	-	-	351,164
Fundraising	536,747	-	-	536,747
<b>Total Expenses</b>	<b>4,608,743</b>	<b>-</b>	<b>-</b>	<b>4,608,743</b>
<b>Change in Net Assets</b>	<b>3,391,578</b>	<b>955,784</b>	<b>2,120,000</b>	<b>6,467,362</b>
Net assets, at beginning of year	8,520,263	413,500	2,253,654	11,187,417
Reclassification from Restricted to Unrestricted	413,500	(413,500)	-	-
<b>Total Net Assets</b>	<b>\$ 12,325,341</b>	<b>\$ 955,784</b>	<b>\$ 4,373,654</b>	<b>\$ 17,654,779</b>
2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes In Net Assets</b>				
<b>Support and Revenues:</b>				
Contributions	\$ 5,292,972	\$ -	\$ -	\$ 5,292,972
In-kind contributions	737,447	413,500	2,282,922	3,433,869
Investment income	17,507	-	-	17,507
Other income (loss)	(38,661)	-	-	(38,661)
<b>Total Support and Revenues</b>	<b>6,009,265</b>	<b>413,500</b>	<b>2,282,922</b>	<b>8,705,687</b>
<b>Expenses:</b>				
Program services	2,394,816	225,000	29,268	2,649,084
Support services:				
Management and general	163,955	-	-	163,955
Fundraising	422,986	-	-	422,986
<b>Total Expenses</b>	<b>2,981,757</b>	<b>225,000</b>	<b>29,268</b>	<b>3,236,025</b>
<b>Change in Net Assets</b>	<b>3,027,508</b>	<b>188,500</b>	<b>2,253,654</b>	<b>5,469,662</b>
Net assets, at beginning of year	5,492,755	225,000	-	5,717,755
<b>Total Net Assets</b>	<b>\$ 8,520,263</b>	<b>\$ 413,500</b>	<b>\$ 2,253,654</b>	<b>\$ 11,187,417</b>

# K9's For Warriors, Inc.

## Schedules of Functional Expenses

Years Ended December 31, 2016 and 2015

2016	Support Services			Total
	Programs	Management and General	Fundraising	
Salaries and benefits	\$ 1,440,233	\$ 170,707	\$ 306,222	\$ 1,917,162
Employee benefits	111,826	20,093	5,053	136,972
Payroll taxes	107,460	14,214	19,151	140,824
Accounting and auditing	15,687	15,960	3,414	35,060
Investment advisory fees	-	2,429	-	2,429
Other Professional services	151,201	34,450	30,738	216,388
Advertising	92,333	511	12,228	105,072
Office expenses	151,878	37,515	100,053	289,446
Information technology	103,967	8,648	24,257	136,872
Facility and occupancy	178,672	-	215	178,887
Travel - business	54,925	20,078	20,868	95,871
Depreciation	917,631	-	-	917,631
Insurance	58,646	5,198	3,890	67,734
Service dogs expense	-	-	-	-
Warriors expenses	279,297	2,599	1,385	283,280
Fund raising event expense	9,358	15	5,069	14,442
Other expenses	47,721	18,747	4,204	70,673
<b>Total Functional Expenses</b>	<b>\$ 3,720,833</b>	<b>\$ 351,164</b>	<b>\$ 536,747</b>	<b>\$ 4,608,743</b>

2015	Support Services			Total
	Programs	Management and General	Fundraising	
Salaries and benefits	\$ 925,887	\$ 109,743	\$ 196,862	\$ 1,232,492
Employee benefits	25,206	4,529	1,139	30,874
Payroll taxes	67,588	8,940	12,045	88,573
Accounting and auditing	27,035	27,506	5,883	60,424
Investment advisory fees	-	7,600	-	7,600
Other Professional services	32,953	7,508	6,699	47,160
Advertising	21,701	120	2,874	24,695
Office expenses	108,242	26,737	71,307	206,286
Information technology	60,793	5,057	14,184	80,034
Facility and occupancy	165,968	-	200	166,168
Travel - business	51,550	18,844	19,586	89,980
Interest expense	520	-	-	520
Depreciation	583,379	-	-	583,379
Insurance	40,017	3,547	2,654	46,218
In-kind donations & gifts	163,243	11,549	3,598	178,390
Warriors & service dog expenses	172,831	1,608	857	175,296
Fund raising event expense	101,394	165	54,922	156,481
Indirect cost allocations	59,280	(85,800)	26,520	-
Other expenses	41,497	16,302	3,656	61,455
<b>Total Functional Expenses</b>	<b>\$ 2,649,084</b>	<b>\$ 163,955</b>	<b>\$ 422,986</b>	<b>\$ 3,236,025</b>

# K9S For Warriors, Inc.

## Statements of Cash Flow

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 6,467,362	\$ 5,469,662
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	917,631	583,379
Net unrealized (gain) loss on investments	(35,378)	14,163
In-kind contributions support and revenues	(2,241,018)	(3,433,869)
In-kind service dogs and gift expenditures	(1,565,053)	178,390
(Increase) decrease in other receivables	(213,563)	-
(Increase) decrease in pledges receivable	(6,291)	(4,500)
(Increase) decrease in other current assets	(165,389)	(61,163)
Increase (decrease) in accounts payable	235,844	49,950
Increase (decrease) in payroll liabilities	-	(1,084)
Total adjustments	<u>(3,073,217)</u>	<u>(2,674,734)</u>
Net cash provided by (used in) operating activities	<u>3,394,145</u>	<u>2,794,928</u>
<b>Cash Flows from Financing Activities</b>		
Principle payments on capital lease	(6,735)	(838)
Decrease in credit line	-	(250)
Advances under capital leases	143,286	-
Net cash provided by (used in) capital and related financing activities	<u>136,551</u>	<u>(1,088)</u>
<b>Cash Flows from Investing Activities</b>		
In-kind acquisition of service dogs	-	-
Purchase of property and equipment	(650,439)	(251,921)
Purchase of investments-net	(2,077,038)	(35,403)
Net cash used in investing activities	<u>(2,727,477)</u>	<u>(287,324)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	803,219	2,506,516
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>4,674,811</u>	<u>2,168,295</u>
<b>Cash and Cash Equivalents at End of Period</b>	<u>\$ 5,478,030</u>	<u>\$ 4,674,811</u>
<b>Supplemental Disclosures</b>		
Interest paid	<u>\$ 837</u>	<u>\$ 520</u>

**K9S For Warriors, Inc.**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**Note 1 - Nature of Activities**

K9S for Warriors (the Organization) is a not-for-profit organization (incorporated) founded in 2011, committed to providing service canines to United States veterans suffering from Post-traumatic Stress Disability, traumatic brain injury, and/or military sexual trauma as a result of post-September 11, 2001 military service. K9S for Warriors trains the dogs and matches them with warriors, who work with their dogs for three weeks. Many of the canines are rescues, but some come from private donors.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting** - The accompanying financial statements are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation** - Financial statement presentation follows the Not-for-Profit topics of the Financial Accounting Standards Codification. As such, the Organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents** - For purposes of the Statements of Cash Flow, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Investments** - Investment securities, which consist of equity securities, are stated at fair value. The fair value is determined by quoted market prices.

**Property and Equipment** - Property and equipment are stated at cost, except for donated property and equipment, which is stated at the estimated fair market value at date of receipt. Depreciation of property and equipment is recorded on the straight-line method based on the estimated useful lives of the assets.

**Income Taxes** - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as "other than a private foundation." Therefore no provision for income taxes is reflected in the financial statements.

The Organization's information returns are subject to examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

**Contributions** - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 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.



**K9S For Warriors, Inc.**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Unrestricted Net Assets** - Net assets representing resources generated from operations that are not subject to donor imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

**Contributions of services** - a substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of contributed services is reflected in the statements as part of the total in-kind contributions.

**Note 3 - Leases**

**Capital Lease Agreements**

On October 31, 2014, the Organization entered into a capital lease agreement with Dex Imaging for a Konica PK-520 copier for a term of 62 months. As of December 31, 2016, there were 37 payments remaining of \$196.90 each. On December 9, 2016 the Organization entered into a capital lease agreement with Wells Fargo for equipment for a term of 36 months. As of December 31, 2016 there were 35 payments remaining of \$4,239.95 each. The following is a schedule by years of future minimum rentals under the lease agreements at December 31, 2016:

Year ending December 31:		
2017	\$	53,242
2018		53,242
2019		49,002
2020		196
Total minimum lease payments		<u>155,682</u>
Less: amount representing interest		<u>(9,483)</u>
Present value of minimum lease payments	\$	<u><u>146,199</u></u>

**Note 4 - Investments**

Investments are managed under a diversified investment strategy. Investments are comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest bearing cash/money market funds	\$ 1,684,500	\$ 39,963
Equity funds and options	219,757	91,716
Mutual funds	1,039,226	733,956
Other securities	-	810
	<u>\$ 2,943,483</u>	<u>\$ 866,445</u>

**K9S For Warriors, Inc.**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**Note 5 - Fair Value Measurements**

Professional accounting standards establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for the identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

**Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments, at fair market value, as of December 31, 2016 and 2015, were comprised of Level 1 measurements as follows:

	<b>2016</b>	<b>2015</b>
Interest bearing cash/money market funds	\$ 1,684,500	\$ 39,963
Equity funds & options	219,757	91,716
Mutual Funds	1,039,226	733,956
Other securities	-	810
	<u>\$ 2,943,483</u>	<u>\$ 866,445</u>

For the years ended December 31, 2016 and 2015, investment returns consisted of the following:

	<b>2016</b>	<b>2015</b>
Interest and dividends	\$ 12,541	\$ 16,963
Realized/unrealized gains (losses)	22,837	544
Total	<u>\$ 35,378</u>	<u>\$ 17,507</u>

**K9S For Warriors, Inc.**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**Note 6 - Property and Equipment**

The Organization held the following fixed assets as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,320,324	\$ 879,217
Land improvements	687,992	286,806
Buildings	4,429,782	2,505,379
Furniture and equipment	350,404	224,036
Vehicles	339,778	277,916
Dogs	4,304,053	2,730,000
Total property and equipment	<u>11,432,333</u>	<u>6,903,354</u>
Less: Accumulated depreciation	<u>(2,189,267)</u>	<u>(1,234,545)</u>
	<u>\$ 9,243,066</u>	<u>\$ 5,668,809</u>

**Note 7 - Contributions In-Kind**

During the years ended December 31, 2016 and 2015, the Organization received the following non-cash contributions:

	<u>2016</u>	<u>2015</u>
Stock Donations	\$ 18,959	\$ 62,600
Land	441,107	668,630
Buildings	1,288,393	2,260,824
Building improvements	390,500	109,916
Vehicles	-	36,787
Computer and peripheral equipment	-	34,685
Appliances	-	31,997
Other assets	37,671	51,558
Supplies and materials	55,060	75,387
Volunteer services	9,328	101,485
Total in-kind contributions	<u>\$ 2,241,018</u>	<u>\$ 3,433,869</u>

**Note 8 - Other Income (Loss)**

Other income (loss) for the year ended December 31, 2015 consisted primarily of the write off of leasehold improvements at the Organization's prior office location.

**Note 9 - Functional Allocation of Expenses**

The cost of providing various program and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on how employees spent their time and purpose of services.

**K9S For Warriors, Inc.**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2016 and 2015**

**Note 10 - Concentration of Credit Risk**

K9S for Warriors, Inc. has bank accounts at Wells Fargo and EverBank. At December 31, 2016 and 2015, balances at both Wells Fargo and EverBank exceed the \$250,000 FDIC insured limits by \$4,754,307 and \$4,097,664, respectively.

**Note 11 - Temporarily & Permanently Restricted Net Assets**

As of December 31, 2016, temporarily restricted net assets consisted of the following:

Telethon Contributions for Capital Improvements	\$ 473,859
Contributions for Dog Sponsorships	436,005
Contributions for Education Development & Facilities	<u>45,920</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u><u>\$ 955,784</u></u></b>

As of December 31, 2016, permanently restricted net assets consisted of donated facilities totaling \$4,373,654.

**Note 12 - Legal Matters**

As of December 31, 2016, K9S for Warriors has no significant pending lawsuits underway whereby the Organization is a defendant.

**Note 13 - Subsequent Events**

Management has evaluated subsequent events through June 2, 2017, which is the date the financial statements were available to be issued. In the opinion of management, no events occurred subsequent to December 31, 2016 through June 2, 2017 that require adjustment to or disclosure in the accompanying financial statements.