



K9SFORWARRIORS

**Financial Statements
Year Ended December 31, 2015**

Roy Miller & Associates
Certified Public Accountants
Jacksonville, Florida

K9S For Warriors, Inc.

December 31, 2015

CONTENTS

	<u>Page</u>
Financial Statements	
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flow	5
Notes to the Financial Statements	6
Schedule of Functional Expenses	11



Established
1976

PayWrite Systems, Inc. dba
Roy Miller & Associates

Certified Public Accountants

8834-F Goodby's Executive Dr., Jacksonville, Florida 32217 P: (904) 731-4846 F: (904) 731-4473

Independent Auditor's Report

To the Board of Directors
K9S For Warriors, Inc.

We 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, 2015, and the related statements of activities 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

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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our 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, 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Roy Miller". The signature is written in a cursive, flowing style.

Roy Miller and Associates
Certified Public Accountants
Jacksonville, Florida
April 27, 2016

K9S For Warriors, Inc.

Statement of Financial Position

December 31, 2015

Assets

Current Assets

Cash and cash equivalents	\$	4,674,811
Pledges receivable		4,500
Investments		866,445
Other current assets		63,826

Total Current Assets 5,609,582

Property and Equipment, net of accumulated depreciation 5,668,809

Total Assets \$ 11,278,391

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	81,326
Current portion of capital lease payable		2,363

Total Current Liabilities 83,689

Capital Lease Payable-long term portion 7,285

Total Liabilities 90,974

Net Assets

Unrestricted net assets	8,520,263
Temporarily restricted net assets	413,500
Permanently restricted net assets	2,253,654

Total Net Assets 11,187,417

Total Liabilities and Net Assets \$ 11,278,391

K9S For Warriors, Inc.

Statement of Activities

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Changes In Net Assets				
Support and Revenues:				
Contributions	\$ 5,292,972	\$ -	\$ -	\$ 5,292,972
In-kind contributions	737,447	413,500	2,282,922	3,433,869
Investment income (loss)	17,507	-	-	17,507
Other income (loss)	(38,661)	-	-	(38,661)
Total Support and Revenues	<u>6,009,265</u>	<u>413,500</u>	<u>2,282,922</u>	<u>8,705,687</u>
Expenses:				
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
Total Expenses	<u>2,981,757</u>	<u>225,000</u>	<u>29,268</u>	<u>3,236,025</u>
Change in Net Assets	<u>3,027,508</u>	<u>188,500</u>	<u>2,253,654</u>	<u>5,469,662</u>
Net assets, at beginning of year	<u>5,492,755</u>	<u>225,000</u>	<u>-</u>	<u>5,717,755</u>
Total Net Assets	<u>\$ 8,520,263</u>	<u>\$ 413,500</u>	<u>\$ 2,253,654</u>	<u>\$ 11,187,417</u>

K9S For Warriors, Inc.

Statement of Cash Flow

Year Ended December 31, 2015

Cash Flows from Operating Activities

Operating income		\$	5,469,662
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	583,379		
Net unrealized (gain) loss on investments	14,163		
In-kind contributions support and revenues	(3,433,869)		
In-kind donation and gift expenditures	178,390		
(Increase) decrease in pledges receivable	(4,500)		
(Increase) decrease in other current assets	(61,163)		
Increase (decrease) in accounts payable	49,950		
Increase (decrease) in payroll liabilities	(1,084)		
			<u>(2,674,734)</u>
Total adjustments			(2,674,734)
Net cash provided by (used in) operating activities			2,794,928

Cash Flows from Capital and Related Financing Activities

Principle payments on capital lease	(838)		
Purchase of property and equipment	(251,921)		
Net cash provided by (used in) capital and related financing activities			<u>(252,759)</u>

Cash Flows from Investing Activities

Decrease in credit line	(250)		
Purchase of investments	(35,403)		
Net cash used in investing activities			<u>(35,653)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 2,506,516

Cash and Cash Equivalents at Beginning of Period 2,168,295

Cash and Cash Equivalents at End of Period \$ 4,674,811

Supplemental Disclosures

Interest paid \$ 520

K9S For Warriors, Inc.

Notes to the Financial Statements

Year Ended December 31, 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 Statement 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

Year Ended December 31, 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. The value of such contributed services during 2015 was \$101,485.

Note 3 - Leases

Capital Lease Agreement

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, 2015, there were 48 payments remaining of \$196.90 each. The following is a schedule by years of future minimum rentals under the lease at December 31, 2015:

Year ending December 31:

2016	2,363
2017	2,363
2018	2,363
2019	2,363
2020	196
	<hr/>
Total minimum lease payments	9,648
Less: amount representing interest	(1,062)
	<hr/>
Present value of minimum lease payments	<u>\$ 8,586</u>

Note 4 - Investments

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

Interest bearing cash/money market funds	\$ 39,963
Equity funds and options	91,716
Mutual funds	733,956
Other securities	810
	<hr/>
	<u>\$ 866,445</u>

During the year there were unrealized losses of \$6,758.

K9S For Warriors, Inc.

Notes to the Financial Statements

Year Ended December 31, 2015

Note 5 - Fair Value Measurements

Fair Value Measurements - Accounting Standards Codification (ASC) No. 820, Fair Value Measurements 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 under ASC No. 820 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, 2015, were comprised of the following:

	Level 1	Level 2	Level 3
Interest bearing cash/money market funds	\$ 39,963	\$ -	\$ -
Equity funds & options	91,716	-	-
Mutual Funds	733,956	-	-
Other securities	810	-	-
	<u>\$ 866,445</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2015, investment returns consisted of the following:

Interest and dividends	\$ 16,963
Realized/unrealized gains (losses)	544
Total	<u>\$ 17,507</u>

K9S For Warriors, Inc.

Notes to the Financial Statements

Year Ended December 31, 2015

Note 6 - Property and Equipment

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

Land	\$	879,217
Land improvements		286,806
Buildings		2,505,379
Furniture and equipment		224,036
Vehicles		277,916
Dogs		2,730,000
		<u>6,903,354</u>
Total property and equipment		6,903,354
Less: Accumulated depreciation		<u>(1,234,545)</u>
	\$	<u>5,668,809</u>

Note 7 - Contributions In-Kind

During the year ended December 31, 2015, the Organization received the following non-cash contributions:

Stock Donations		62,600
Land		668,630
Buildings		2,260,824
Building improvements		109,916
Vehicles		36,787
Computer and peripheral equipment		34,685
Appliances		31,997
Other assets		51,558
Supplies and materials		75,387
Volunteer services		101,485
		<u>101,485</u>
Total in-kind contributions	\$	<u>3,433,869</u>

Note 8 - Other Income (Loss)

Other income (loss) for the year 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.

Note 10 - Concentration of Credit Risk

K9S for Warriors, Inc. has bank accounts at Wells Fargo and EverBank. Wells Fargo and Everbank balances each exceed the \$250,000 FDIC insured limits by \$2,687,471 and \$1,410,193, respectively.

K9S For Warriors, Inc.

Notes to the Financial Statements

Year Ended December 31, 2015

Note 11 - Prior Period Adjustment

K9S for Warriors, Inc. restated certain financial statement amounts for the year ended December 31, 2014, to correctly report the value of the service dogs and related accumulated depreciation of which the organization holds and retains title.

	Unrestricted	Temporarily Restricted	Permanently Restricted
Total net assets previously reported at December 31, 2014	\$ 3,378,005	\$ 225,000	\$ -
Value of the service dogs	2,730,000	-	-
Accumulated depreciation of service dogs	(615,250)	-	-
Total net assets previously reported at December 31, 2014-Corrected	<u>\$ 5,492,755</u>	<u>\$ 225,000</u>	<u>\$ -</u>

Note 12 - Legal Matters

As of December 31, 2015, K9S for Warriors has no pending lawsuits underway whereby they were the defendant.

Note 13 - Subsequent Events

Pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 855-10-50-1, subsequent events have been evaluated through the issue date of April 27, 2016.

Supplemental Schedule

K9's For Warriors, Inc.

Schedule of Functional Expenses

Year Ended December 31, 2015

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