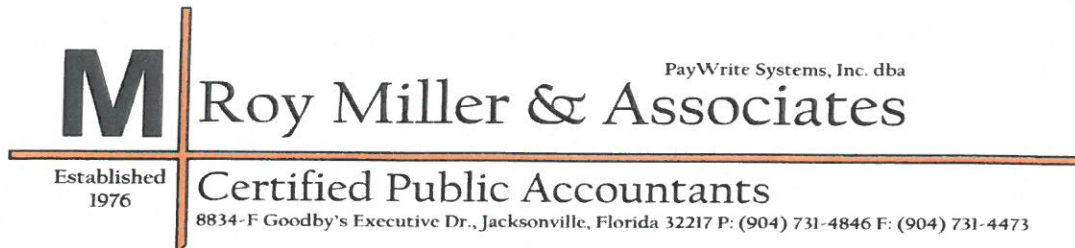




# **K9S**FOR**WARRIORS**

**Financial Statements  
Year Ended December 31, 2014**

**Roy Miller & Associates**  
Certified Public Accountants  
Jacksonville, Florida



## 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., which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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.

Roy Miller and Associates  
Certified Public Accountants  
Jacksonville, Florida  
April 4, 2015

# **K9S For Warriors, Inc.**

**December 31, 2014**

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# K9S For Warriors, Inc.

Statement of Financial Position  
December 31, 2014

<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 668,295
Cash-board designated	1,500,000
Investments	831,042
Other current assets	2,663
<b>Total Current Assets</b>	<u>3,002,000</u>
<b>Property and Equipment, net of accumulated depreciation</b>	<u>644,201</u>
<b>Total Assets</b>	<u><u>\$ 3,646,201</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 31,376
Payroll liabilities	1,084
Current portion of capital lease payable	2,363
Line of credit	250
<b>Total Current Liabilities</b>	<u>35,073</u>
<b>Capital Lease Payable-long term portion</b>	<u>8,123</u>
<b>Total Liabilities</b>	<u>43,196</u>
<b>Net Assets</b>	
Unrestricted net assets	3,378,005
Temporarily restricted	225,000
<b>Total Net Assets</b>	<u>3,603,005</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,646,201</u></u>

# K9S For Warriors, Inc.

## Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Changes In Unrestricted Assets</b>			
<b>Support and Revenues:</b>			
Contributions	\$ 3,542,663	\$ 225,000	\$ 3,767,663
In-kind contributions	288,951	-	288,951
Interest income and dividends	18,315	-	18,315
Net realized and unrealized losses on investments	(9,550)	-	(9,550)
Other income	263	-	263
<b>Total Support and Revenues</b>	<u>3,840,642</u>	<u>225,000</u>	<u>4,065,642</u>
<b>Expenses:</b>			
Program services	1,179,620	-	1,179,620
Support services:			
Management and general	144,935	-	144,935
Fundraising	192,423	-	192,423
<b>Total Expenses</b>	<u>1,516,978</u>	<u>-</u>	<u>1,516,978</u>
<b>Change in net assets</b>	<u>2,323,664</u>	<u>225,000</u>	<u>2,548,664</u>
Net assets, at beginning of year	<u>1,054,341</u>	<u>-</u>	<u>1,054,341</u>
<b>Unrestricted net assets</b>	<u>\$ 3,378,005</u>	<u>\$ 225,000</u>	<u>\$ 3,603,005</u>

**K9S For Warriors, Inc.**  
Statement of Cash Flow  
Year Ended December 31, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	\$ 2,548,664
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	16,321
Net unrealized gain (loss) on investments	6,758
Contributed property and equipment	(82,574)
(Increase) decrease in other current assets	(2,663)
Increase (decrease) in accounts payable	11,388
Increase (decrease) in payroll liabilities	1,084
	<hr/>
Total Adjustments	(49,686)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	2,498,978
Cash flows from investing activities	
Increase in capital lease payable	10,486
Increase in credit line	250
Purchase of investments	(958,438)
Sales of investments	138,360
Purchase of property and equipment	(522,637)
	<hr/>
Net cash used in investing activities	(1,331,979)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	
	1,166,999
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	
	<hr/> 1,001,296
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	
	<hr/> <hr/> \$ 2,168,295
<b>Supplemental Disclosures</b>	
Interest Paid	<hr/> <hr/> \$ 96

## **K9S For Warriors, Inc.**

Notes to the Financial Statements  
Year Ended December 31, 2014

### **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 Flows, 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. As of and for the year-ended December 31, 2014, unrealized losses were \$6,758.

**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, 2014

### 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 2014 was \$120,450.

### Note 3 - Construction in Progress

Construction in progress consists of an administration building, warrior suites, kennels, a carriage house, and personal property to be used in those facilities. The construction is scheduled to be completed during 2015.

### Note 4 - 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, 2014, there were 60 payments remaining of \$196.90 each. The following is a schedule by years of future minimum rentals under the lease at December 31, 2014:

Year ending December 31:	
2015	\$ 2,363
2016	2,363
2017	2,363
2018	2,363
2019	2,363
2020	<u>196</u>
Total minimum lease payments	12,011
Less: amount representing interest	<u>(1,525)</u>
Present value of minimum lease payments	<u>\$ 10,486</u>



## K9S For Warriors, Inc.

Notes to the Financial Statements  
Year Ended December 31, 2014

### Note 5 - Investments

Investments are managed under a diversified investment strategy. Investments are comprised of the following at December 31, 2014:

Interest bearing cash/money market funds	\$ 33,002
Equity funds and options	29,039
Mutual funds	767,961
Other securities	1,040
	<u>\$ 831,042</u>

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

### Note 6 - 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.

## K9S For Warriors, Inc.

Notes to the Financial Statements  
Year Ended December 31, 2014

### Note 6 - Fair Value Measurements (continued)

Investments, at fair market value, as of December 31, 2014, were comprised of the following:

	Level 1	Level 2	Level 3
Interest bearing cash/money market funds	\$ 33,002	\$ -	\$ -
Equity funds & options	29,039	-	-
Mutual Funds	767,961	-	-
Other securities	1,040	-	-
	<u>\$ 831,042</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2014, investment returns consisted of the following:

Interest and dividends	\$ 18,315
Unrealized gains (losses), net	(9,550)
Total	<u>\$ 8,765</u>

### Note 7 - Property and Equipment

The Organization held the following fixed assets as of December 31, 2014:

Construction in progress	\$ 106,321
Land	202,217
Buildings	173,764
Leasehold improvements	41,782
Furniture and equipment	33,084
Vehicles	116,629
Total property and equipment	<u>673,797</u>
Less: Accumulated depreciation	<u>(29,596)</u>
	<u>\$ 644,201</u>

### Note 8 - Line of Credit

The Organization maintains a \$90,000 line of credit. The stated interest rate is 5.75% as of December 31, 2014 and interest is paid monthly. The line of credit is secured by the tangible property of the Organization. The balance as of December 31, 2014 was \$250.

### Note 9 - Contributions In-Kind

During the year ended December 31, 2014, the Organization received the following non-cash contributions:

Gift Cards contributions	\$ 5,513
Dog contributions	67,655
Warriors contributions	12,759
Volunteer hours	120,450
Camp K9 contributions	41,505
Vehicle contributions	41,069
Total in-kind contributions	<u>\$ 288,951</u>

## **K9S For Warriors, Inc.**

Notes to the Financial Statements  
Year Ended December 31, 2014

### **Note 10 - 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 11 - Concentration of Credit Risk**

K9's for Warriors, Inc. has bank accounts at Wells Fargo in which the total balance of all accounts exceeds the \$250,000 FDIC insured limits by \$1,912,751.

### **Note 12 - Legal Matters**

As of December 31, 2014, K9's 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 4, 2015.

# K9's For Warriors, Inc.

## Schedule of Functional Expenses

Year Ended December 31, 2014

### Schedule 1

		Support Services	
		Management and General	Fundraising
	Programs		
Salaries and benefits	\$ 457,259	\$ 81,462	91,630
Donations and gifts	233,168	1,722	1,960
Fund raising event expense	58,299	-	46,646
Office supplies and expense	62,098	11,099	19,649
Fees	44,377	27,213	14,038
Travel	47,491	3,001	5,231
Service dog expense	54,249	-	-
Depreciation	16,321	-	-
Taxes and licenses	35,524	6,296	7,066
Insurance	25,431	2,805	2,049
Meals and entertainment	27,212	2,140	930
Training and education	23,181	213	-
Rent expense	22,935	-	-
Vehicle expense	18,559	-	-
Dues and subscriptions	12,809	3,751	600
Grounds maintenance	11,533	-	-
Utilities	8,491	1,074	1,181
Housekeeping	9,091	1,205	-
Miscellaneous expense	5,846	2,954	76
Advertising	5,010	-	1,367
Health and fitness	640	-	-
Interest expense	96	-	-
<b>Total General and Administrative Expense</b>	<b>\$ 1,179,620</b>	<b>\$ 144,935</b>	<b>\$ 192,423</b>

## **Supplemental Schedule**