K9s For Warriors, Inc.
K9s For Warriors Research Institute, Inc.

Consolidated Financial Statements
Year Ended December 31, 2018

K9s For Warriors, Inc. and
K9s For Warriors Research Institute, Inc.

Consolidated Financial Statements

Year Ended December 31, 2018

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Independent Auditor's Report

Board of Directors
K9s For Warriors, Inc.
Ponte Vedra, Florida

We have audited the accompanying consolidated financial statements of K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc., which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc., as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Opening Balances

As discussed in Note 3 to the consolidated financial statements, certain account balances as of January 1, 2018 have been restated to correct a misstatement. The prior year financial statements, not presented herein, were audited by other auditors.

BDO USA, LLP

Certified Public Accountants
October 2, 2019

Consolidated Financial Statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.

Consolidated Statement of Financial Position

December 31, 2018	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Elimination	Total
Assets				
Current Assets				
Cash	$ 5,041,697	$ -	$ -	$ 5,041,697
Investments	8,264,410	-	-	8,264,410
Due from related parties	774,863	-	(635,476)	139,387
Pledges receivables, net	354,906	-	-	354,906
Inventory	89,380	-	-	89,380
Prepaids	167,249	1,000	-	168,249
Total Current Assets	14,692,505	1,000	(635,476)	14,058,029
Pledges Receivable Long-Term, Net	2,094,119	-	-	2,094,119
Net Property, Equipment & Canines	11,513,486	-	-	11,513,486
Total Assets	$ 28,300,110	$ 1,000	$ (635,476)	$ 27,665,634
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 185,609	$ 1,541	$ -	$ 187,150
Accrued expenses	123,345	44,800	-	168,145
Due to related party	-	635,476	(635,476)	-
Capital lease payable	49,589	-	-	49,589
Total Current Liabilities	358,543	681,817	(635,476)	404,884
Commitments and Contingencies (Note 12)				
Net Assets				
Without donor restrictions	23,417,287	(680,817)	-	22,736,470
With donor restrictions	4,524,280	-	-	4,524,280
Total Net Assets	27,941,567	(680,817)	-	27,260,750
Total Liabilities and Net Assets	$ 28,300,110	$ 1,000	$ (635,476)	$ 27,665,634

See accompanying independent auditor's report and notes to consolidated financial statements.

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K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.

Consolidated Statement of Activities

Year ended December 31, 2018	K9s For Warriors, Inc. Without donor restrictions	K9s For Warriors, Inc. With donor restrictions	K9s For Warriors, Inc. Total	K9s For Warriors Research Institute, Inc. Without donor restrictions	Total
Total Revenue, Support, Gains and Losses					
Contributions	$ 6,033,716	$ 3,992,921	$ 10,026,637	$ 25,000	$ 10,051,637
In-kind contributions	883,095	-	883,095	-	883,095
Dividends and interest, net	89,415	-	89,415	398	89,813
Net realized and unrealized loss on investments	(633,212)	-	(633,212)	-	(633,212)
Miscellaneous income	77,313	-	77,313	13,666	90,979
Net Assets Released from Restriction	1,014,395	(1,014,395)	-	-	-
Total Revenue, Support, Gains and Losses	7,464,722	2,978,526	10,443,248	39,064	10,482,312
Expenses					
Program Services	4,397,431	-	4,397,431	-	4,397,431
Support Services:					
Fundraising	815,862	-	815,862	-	815,862
Management and general	226,945	-	226,945	399,587	626,532
Total Support Services	1,042,807	-	1,042,807	399,587	1,442,394
Total Expenses	5,440,238	-	5,440,238	399,587	5,839,825
Changes in Net Assets	2,024,484	2,978,526	5,003,010	(360,523)	4,642,487
Net Assets, as of January 1, 2018	18,451,929	4,920,933	23,372,862	(320,294)	23,052,568
Change due to error	(1,432,780)	998,475	(434,305)	-	(434,305)
Cumulative effect adjustment for adoption of ASU 2016-14	4,373,654	(4,373,654)	-	-	-
Net Assets, beginning of year, as adjusted and restated	21,392,803	1,545,754	22,938,557	(320,294)	22,618,263
Net Assets, end of year	$ 23,417,287	$ 4,524,280	$ 27,941,567	$ (680,817)	$ 27,260,750

See accompanying independent auditor's report and notes

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.

Consolidated Statement of Functional Expenses

	K9s For Warriors, Inc.				K9s For Warriors Research Institute, Inc.	
Year ended December 31, 2018	Program Services	Fundraising Services	Management and General	Total	Management and General	Total
Personnel Costs[1]						
Salaries	$ 916,154	$ 363,093	$ 122,017	$ 1,401,264	$ 337,587	$ 1,738,851
Employee fringe benefits	165,354	43,758	11,676	220,788	14,587	235,375
Payroll taxes	98,220	28,577	11,169	137,966	21,905	159,871
Total Personnel Costs	1,179,728	435,428	144,862	1,760,018	374,079	2,134,097
Non-Personnel Expenses						
Professional services	332,503	-	37,405	369,908	1,133	371,041
Operating supplies and expenses	91,280	363,417	8,776	463,473	24,375	487,848
Business travel	83,029	12,892	10,683	106,604	-	106,604
Depreciation	1,813,107	4,125	21,290	1,838,522	-	1,838,522
Insurance	83,503	-	3,520	87,023	-	87,023
Service canines expense	562,989	-	409	563,398	-	563,398
Warrior expense	251,292	-	-	251,292	-	251,292
Total Expenses	$ 4,397,431	$ 815,862	$ 226,945	$ 5,440,238	$ 399,587	$ 5,839,825

See accompanying independent auditor's report and notes to consolidated financial statements.

[1] Capitalization of salaries for canines is excluded in the Statement of Functional Expenses in the amount of $809,464. The total paid for salaries for the year ended December 31, 2018 was $2,569,482.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.

Consolidated Statement of Cash Flows

Year ended December 31, 2018	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Eliminating Entries	Total
Operating Activities				
Changes in net assets	$ 5,003,010	$ (360,523)	$ -	$ 4,642,487
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:				
Net realized and unrealized loss on investments	633,212	-	-	633,212
Bad debt expense	52,092	-	-	52,092
Depreciation	1,838,522	-	-	1,838,522
Loss on disposal of fixed assets	3,961	-	-	3,961
Dividend and interest reinvested	(89,415)	-	-	(89,415)
Net changes in:				
Accounts receivable	-	100,000	-	100,000
Pledges receivable	(1,282,920)	-	-	(1,282,920)
Inventory	160,540	-	-	160,540
Prepaid expense	196,688	(1,096)	-	195,592
Due to related party	-	635,476	(635,476)	-
Due from related party	(774,863)	-	635,476	(139,387)
Accounts payable and accrued expenses	(21,369)	(412,232)	-	(433,601)
Net cash provided (used) by operating activities	5,719,458	(38,375)	-	5,681,083
Investing Activities				
Purchases of investments	(10,383,455)	-	-	(10,383,455)
Sales of investments	6,794,761	-	-	6,794,761
Purchases of property plant and equipment	(3,356,690)	-	-	(3,356,690)
Net cash used by investing activities	(6,945,384)	-	-	(6,945,384)
Financing Activites				
Payments on capital lease	(47,900)	-	-	(47,900)
Net cash used by financing activities	(47,900)	-	-	(47,900)
Decrease in Cash	(1,273,826)	(38,375)	-	(1,312,201)
Cash, beginning of year	6,315,523	38,375	-	6,353,898
Cash, end of year	$ 5,041,697	$ -	$ -	$ 5,041,697
Supplemental Disclosure				
Cash paid for interest	$ 2,980	$ -	$ -	$ 2,980

See accompanying independent auditor's report and notes

1. Nature of Business

K9s For Warriors, Inc. ("K9s") is a not-for-profit organization (incorporated) founded in 2011, committed to providing service canines to United States veterans suffering from post-traumatic stress disorder, traumatic brain injury, and/or military sexual trauma as a result of post-September 11, 2001 military service. K9s trains the canines and matches them with warriors, who work with their canines for three weeks. Many of the canines are rescues, but some come from private donors or are purchased.

K9s For Warriors Research Institute, Inc. ("K9RI") is a not-for-profit organization (incorporated) founded in 2016, devoted to work to advance the mission of K9s through dedicated research, to give back hope to the nation's military heroes.

K9s and K9RI are collectively referred to as the Organization.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with US GAAP. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes thereto are classified and reported as follows:

Net assets without donor restrictions – consists of amounts that are available for use in carrying out the supporting activities of the Organization and are not subject to donor-imposed stipulations.

Net assets with donor restrictions – consists of amounts that are restricted for specific operations of the Organization and pledges that are restricted by time. These amounts are subject to donor-imposed stipulations that will be met by the Organizations actions in the execution of events. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses and gains and losses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and activities of K9s and K9RI. K9s exhibits controlling and economic interest in K9RI. All material intercompany accounts and transactions have been eliminated in the consolidation.

Investments

Investments are reported at their estimated fair values in the consolidated statements of financial position as described in Note 4. Fair value is 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. Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Dividends and interest are reported net of investment advisory and other fees of $159,368 the year ended December 31, 2018.

Property, Equipment and Canines

Property and equipment greater than $1,000 are recorded at historical cost or fair value if donated. When items of property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation or amortization accounts are eliminated, and any gain or loss is included in activities.

Canines are considered biological assets (living animals) and are capitalized when placed in service at cost. Donated canines are valued at fair market value and purchased canines are valued at cost. When a canine is donated or purchased, the asset is considered work-in-process until the canine is fully trained and available for a warrior. If during the training, a canine is considered to not be fit for service, the work-in-process asset is disposed. During training, vet services, kennel fees, food, employee time for training, and other costs are allocated to each canine through a work in process account to arrive at the capitalized cost when the canine is placed in service with a veteran.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Canines	5
Buildings	5 - 39
Vehicles	5 - 8
Land improvements	15
Furniture and equipment	3 - 7

Impairment of Long-Lived Assets

The Organization reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

Recoverability of long-lived assets is measured by comparing the carrying amount of the assets or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at December 31, 2018.

Contributions and Donor-Imposed Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, donor restricted net assets are reclassified to without donor restriction net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as without donor restrictions.

The Organization reports gifts of land, buildings and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give are recognized as support in the period received and recorded as assets, reductions of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Services

Contributed services are recognized and recorded at fair value only to the extent they create and enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation. The value of contributed services for engineering design and well repairs was $7,650 for the year ended December 31, 2018.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. No amounts have been reflected in the consolidated statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative salaries and benefits, which are allocated based on estimates of time and effort by personnel to each program.

Income Taxes

K9s and K9RI are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax.

The Organization evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Organization has analyzed the tax positions taken and has concluded that as of December 31, 2018, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidated financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at December 31, 2018, the Organization was no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2015. As of and for the year ended December 31, 2018, the Organization did not have a liability for any unrecognized taxes. The Organization has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Subsequent Events

Events occurring after December 31, 2018, the date of the most recent consolidated financial statements, have been evaluated for possible adjustments to the consolidated financial statements or disclosures through October 2, 2019, which is the date the consolidated financial statements were available to be issued. No material subsequent events have occurred through that date that require recognition or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

Contributions

In June 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarifies and improves guidance about whether a transfer of assets is a contribution or an exchange transaction, as well as clarifying how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

The new standard is effective for fiscal periods beginning after December 15, 2018, using either of the following transition methods: (i) a modified prospective in the first set of financial statements following the effective date to agreements that are either not completed as of the effective date or entered into after the effective date, or (ii) a full retrospective approach reflecting the application of the standard in each prior reporting period in the financial statements. Early adoption is permitted. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2016, and interim periods within annual reporting periods beginning one year after the annual period in which the Organization first applies the new standard. The Organization is evaluating the impact on its consolidated financial statements of adopting this guidance.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. The standard is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

Accounting Pronouncement Adopted

Effective January 1, 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities.* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

January 1, 2018	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented and restated:			
Unrestricted	$ 17,019,149	$ -	$ 17,019,149
Temporarily restricted	-	1,545,754	1,545,754
Permanently restricted	-	4,373,654	4,373,654
Cumulative effect adjustment	4,373,654	(4,373,654)	-
	$ 21,392,803	$ 1,545,754	$ 22,938,557

Prior to the adoption of ASU 2016-14, contributions restricted for investment in property and equipment were recorded as temporarily restricted contributions and were included in temporarily restricted net assets invested in property and equipment. The Organization had adopted the policy of imposing a time restriction on such contributions that were released over the related assets' useful lives. The cumulative effect adjustment as of January 1, 2018 of $4,373,654, represents donor restricted net assets restricted for investment in property and equipment as of January 1, 2018 that were required to be released in accordance with the placed in-service approach upon adoption of ASU 2016-14.

3. Restatement of Opening Balances of Consolidated Financial Statements

During the year ended December 31, 2018, management determined that the previous accounting for an annuity within the consolidated statement of financial position, and time restricted pledges of $988,475 were classified in error as without donor restriction. The transactions originated prior to 2018. Accordingly, the balances have been restated as of January 1, 2018 to properly reflect these changes, as follows:

	January 1, 2018	Adjustment	January 1, 2018, As Restated
Assets without Donor Restrictions	$ 18,451,929	$ (1,432,780)	$ 17,019,149
Assets with Donor Restrictions	$ 4,920,933	$ 998,475	$ 5,919,408
Annuity Asset	$ 434,305	$ (434,305)	$ -

The adjustments above had no effect on the consolidated statement of financial position, consolidated statement of activities, or statement of cash flows other than as discussed above.

4. Fair Value Measurements

The framework for measuring fair value 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 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 FASB Accounting Standards Codification 820, *Fair Value Measurement*, are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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.

Following is a description of the valuation methodologies used for Level 2 assets measured at fair value:

Corporate and municipal bonds: Valued using matrix pricing. Matrix pricing is a mathematical technique used without relying exclusively on quoted prices for the specific investments, but rather on the investments' relationship to other benchmark quoted investments.

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The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value:

December 31, 2018	Cash and Cash Equivalents	Level 1	Level 2	Total
Corporate bonds	$ -	$ 514,804	$ 15,157	$ 529,961
Municipal bonds	-	678,515	240,810	919,325
Equities:				
Stock	-	5,858	-	5,858
Mutual funds:				
Alternative	-	779,813	-	779,813
Domestic equity	-	1,846,357	-	1,846,357
Fixed income	-	958,438	-	958,438
International equity	-	1,506,697	-	1,506,697
Limited partnership	-	215,429	-	215,429
Reit	-	108,004	-	108,004
Money market funds	1,394,528	-	-	1,394,528
	$ 1,394,528	$ 6,613,915	$ 255,967	$ 8,264,410

5. Pledges Receivable

Amounts due from pledges receivable are generated from the individual and corporate donors. Pledges receivable are due in future years as follows:

December 31,	2018
Receivable in less than one year	$ 373,585
Receivable between one to five years	2,400,000
	2,773,585
Less allowances and discounts (5% to 8.7%)	(324,560)
Net pledges receivable	$ 2,449,025

Pledges receivable are presented in the accompanying statements of financial position as follows:

December 31,	2018
Pledges receivable current, net	$ 354,906
Pledges receivable long term, net	$ 2,094,119

Pledges receivable from two donors accounted for 64% and 40% of total pledges receivable at December 31, 2018.

6. Property, Equipment and Canines

Property and equipment consisted of the following:

December 31,		2018
Canines	$	7,946,871
Buildings		4,527,658
Work in Progress		1,243,411
Land		1,118,107
Vehicles		727,374
Land improvements		707,853
Furniture and equipment		574,371
Total property and equipment		16,845,645
Less: accumulated depreciation		(5,332,159)
Property, equipment and canines, net	$	11,513,486

7. Contributions In-Kind

The Organization received the following non-cash contributions:

Year ended December 31,		2018
Stock donations	$	591,187
Goods & Services		284,758
Gift cards		6,350
Equipment		800
Total in-kind contributions	$	883,095

8. Net Assets

Net assets with donor restrictions

Proceeds from certain contributions are reported as an increase in net assets with donor restrictions. These contributions are restricted for as follows:

December 31,		2018
Pledges receivable		2,652,523
Dog Sponsorships		1,340,398
Capital Improvement		473,859
Miscellaneous Equipment		57,500
Total net assets with donor restrictions	$	4,524,280

Net assets were released from restrictions as follows:

Year ended December 31,	2018
Miscellaneous equipment	$ 15,920
Pledges collected	998,475
Total released	$ 1,014,395

Net assets without donor restrictions

At December 31, 2018, all unrestricted net assets are undesignated as to their use.

9. Liquidity and Availability of Resources

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on capital lease, were as follows:

December 31,	2018
Financial assets:	
Investments	$ 8,264,410
Cash	5,041,697
Pledges receivable	354,906
Due from related party	139,387
Total financial assets available within one year	$ 13,800,400

The Organization maintains its investments in a board-designated reserve fund to be available for operating shortfalls.

10. Related Party Transactions

At December 31, 2018, K9RI owed K9s $635,476 for operating expenses. The amount due is non-interest bearing and is expected to be repaid within one year.

American Service Dog Access Coalition (“ASDAC”) is a related party to K9s through an economic interest. As of December 31, 2018, ASDAC owed K9s $139,387 for start-up costs paid by K9s.

11. Retirement Plans

The Organization sponsors a 401(k) tax-deferred plan allowing for employee elective deferrals and employer matching contributions. Employer contributions for the year ended December 31, 2018 was $69,093.

12. Commitments and Contingencies

Software Capital Lease

On December 9, 2016 the Organization entered into a capital lease agreement with a bank for software with a term of 36 months. The lease has an interest rate of 4.15%. The gross amount of the asset associated with the lease is $143,286, with $29,236 in accumulated depreciation as of December 31, 2018.

Operating Leases

The Organization has operating leases related to various pieces of equipment. Operating lease rent payments totaled $11,384 in 2018. The leases have start dates beginning October 2015 and maturing in December 2023. There are no escalating payment terms.

The following table represents the future minimum payment on leases as of December 31, 2018:

Year ended	Operating Leases	Capital Leases
2019	$ 9,130	$ 52,706
2020	7,967	-
2021	6,782	-
2022	3,856	-
2023	1,453	-
Less: amount representing interest	-	(3,117)
Total minimum lease payments	$ 29,188	$ 49,589

Litigation

In the ordinary course of business, the Organization may become involved in various legal proceedings. Based upon the Organization's evaluation of the information presently available, management is unaware of any such claims or legal proceedings, in which the ultimate resolution would have a material adverse effect on the Organization's combined financial position, liquidity or results of operations.

13. Concentrations

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash and pledges receivable. Cash balances are exposed to credit risk since the Association periodically maintains balances in excess of federally insured limits. The Organization does not believe it is exposed to any significant credit risk on these deposits.

Accounts Receivable

Two customers accounted for 93% of total accounts payable at December 31, 2018.

Accounts Payable

Three vendors accounted for 48% of total accounts payable at December 31, 2018.