

K9S FOR WARRIORS, INC.
K9S FOR WARRIORS RESEARCH INSTITUTE, INC.

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020



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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
K9s For Warriors, Inc.
Jacksonville, Florida

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of K9s For Warriors Inc. and K9s For Warriors Research Institute, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of K9s For Warriors Inc. and K9s For Warriors Research Institute, Inc. as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). For the year ended December 31, 2021, we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Pivot CPAs

Ponte Vedra Beach, Florida
June 3, 2022



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
K9s For Warriors, Inc.
Jacksonville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of K9s For Warriors Inc. and K9s For Warriors Research Institute, Inc. (the Organization), which comprise the Organization’s consolidated statement of financial position as of December 31, 2021, 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, and have issued our report thereon dated

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government*



Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PIVOT CPAs

Ponte Vedra Beach, Florida
June 3, 2022



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
K9s For Warriors, Inc.
Jacksonville, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited K9s For Warriors Inc. and K9s For Warriors Research Institute, Inc. (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended December 31, 2021. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the



aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Organization is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Organization's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over



compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pivot CPAs

Ponte Vedra Beach, Florida
June 3, 2022

Consolidated Financial Statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Financial Position

<i>December 31, 2021</i>	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Elimination	Total
Assets				
Cash	\$ 1,675,884	\$ 12,677	\$ -	\$ 1,688,561
Investments	14,167,780	-	-	14,167,780
Contributions receivable, net	644,513	-	-	644,513
Due from related parties	216,292	-	-	216,292
Pledges receivable, net	1,280,121	-	-	1,280,121
Inventory	26,940	-	-	26,940
Prepays	210,916	295	-	211,211
Total Current Assets	18,222,446	12,972	-	18,235,418
Pledges receivable long term, net	1,408,852	-	-	1,408,852
Property and equipment	19,898,293	-	-	19,898,293
Total Assets	\$ 39,529,591	\$ 12,972	\$ -	\$ 39,542,563
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,278,422	\$ 1,003	\$ -	\$ 1,279,425
Accrued payroll	356,883	9,334	-	366,217
Total Current Liabilities	1,635,305	10,337	-	1,645,642
Net Assets				
With donor restrictions	4,662,484	-	-	4,662,484
Without donor restrictions	33,231,802	2,635	-	33,234,437
Total Net Assets	37,894,286	2,635	-	37,896,921
Total Liabilities and Net Assets	\$ 39,529,591	\$ 12,972	\$ -	\$ 39,542,563

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Financial Position

<i>December 31, 2020</i>	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Elimination	Total
Assets				
Cash	\$ 4,867,494	\$ 36,185	\$ -	\$ 4,903,679
Investments	12,688,078	-	-	12,688,078
Contributions receivable, net	26,734	-	-	26,734
Due from related parties	1,764,392	-	(1,559,308)	205,084
Pledges receivable, net	730,000	-	-	730,000
Inventory	44,914	-	-	44,914
Prepays	121,171	-	-	121,171
Total Current Assets	20,242,783	36,185	(1,559,308)	18,719,660
Pledges receivable long term, net	1,505,864	-	-	1,505,864
Property and equipment	11,484,720	-	-	11,484,720
Total Assets	\$ 33,233,367	\$ 36,185	\$ (1,559,308)	\$ 31,710,244
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	\$ 422,880	\$ 16,849	\$ -	\$ 439,729
Due to related parties	65,190	1,559,308	(1,559,308)	65,190
Deferred revenue	387,724	-	-	387,724
PPP loan	906,897	-	-	906,897
Total Current Liabilities	1,782,691	1,576,157	(1,559,308)	1,799,540
Net Assets				
With donor restrictions	4,177,856	-	-	4,177,856
Without donor restrictions	27,272,820	(1,539,972)	-	25,732,848
Total Net Assets	31,450,676	(1,539,972)	-	29,910,704
Total Liabilities and Net Assets	\$ 33,233,367	\$ 36,185	\$ (1,559,308)	\$ 31,710,244

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Activities

<i>Year ended December 31, 2021</i>	K9s For Warriors, Inc.			K9s For Warriors Research Institute, Inc.	
	Without donor restrictions	With donor restrictions	Total	Without Donor Restrictions	Total
Revenue and Support					
Contributions	\$ 14,073,569	\$ 1,993,746	\$ 16,067,315	\$ 195	\$ 16,067,510
Contributions in-kind	1,673,616	-	1,673,616	-	1,673,616
Grants	1,386,114	-	1,386,114	-	1,386,114
Interest and investment income	213,335	-	213,335	18	213,353
Miscellaneous income	20,581	-	20,581	-	20,581
Gain on extinguishment of debt	906,897	-	906,897	-	906,897
Net change in unrealized gain/(loss) on investments	1,132,050	-	1,132,050	-	1,132,050
Assets released from restriction	1,509,118	(1,509,118)	-	-	-
Total Revenue and Support	20,915,280	484,628	21,399,908	213	21,400,121
Expenses					
Program services	9,658,126	-	9,658,126	-	9,658,126
Management and general	1,169,047	-	1,169,047	655,571	1,824,618
Fundraising	1,931,160	-	1,931,160	-	1,931,160
Total Expenses	12,758,333	-	12,758,333	655,571	13,413,904
Change in net assets	8,156,947	484,628	8,641,575	(655,358)	7,986,217
Nonoperating costs	(2,197,965)	-	(2,197,965)	2,197,965	-
Net assets, beginning of year	27,272,820	4,177,856	31,450,676	(1,539,972)	29,910,704
Net assets, end of year	\$ 33,231,802	\$ 4,662,484	\$ 37,894,286	\$ 2,635	\$ 37,896,921

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Activities

<i>Year ended December 31, 2020</i>	K9s For Warriors, Inc.			K9s For Warriors Research Institute, Inc.	
	Without donor restrictions	With donor restrictions	Total	Without Donor Restrictions	Total
Revenue and Support					
Contributions	\$ 9,605,161	\$ 1,813,619	\$ 11,418,780	\$ 5,380	\$ 11,424,160
Contributions in-kind	610,455	-	610,455	-	610,455
Grants	790,819	-	790,819	-	790,819
Interest and investment income	236,250	-	236,250	87	236,337
Miscellaneous income	69,769	-	69,769	-	69,769
Net change in unrealized gain/(loss) on investments	676,484	-	676,484	-	676,484
Assets released from restriction	1,893,054	(1,893,054)	-	-	-
Total Revenue and Support	13,881,992	(79,435)	13,802,557	5,467	13,808,024
Expenses					
Program services	7,626,110	-	7,626,110	-	7,626,110
Management and general	649,218	-	649,218	541,588	1,190,806
Fundraising	1,415,521	-	1,415,521	-	1,415,521
Total Expenses	9,690,849	-	9,690,849	541,588	10,232,437
Change in net assets	4,191,143	(79,435)	4,111,708	(536,121)	3,575,587
Net assets, beginning of year	23,081,677	4,257,291	27,338,968	(1,003,851)	26,335,117
Net assets, end of year	\$ 27,272,820	\$ 4,177,856	\$ 31,450,676	\$ (1,539,972)	\$ 29,910,704

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Functional Expenses

<i>Year ended December 31, 2021</i>	K9s For Warriors, Inc.				K9s For Warriors Research Institute, Inc.	
	Program Services	Fundraising	Management and General	Total	Management and General	Total
Personnel Costs						
Salaries	\$ 4,789,664	\$ 520,953	\$ 180,264	\$ 5,490,881	\$ 328,325	\$ 5,819,206
Employee fringe benefits	517,901	59,418	28,804	606,123	29,074	635,197
Payroll taxes	332,965	38,239	11,046	382,250	20,788	403,038
Total Personnel Costs	5,640,530	618,610	220,114	6,479,254	378,187	6,857,441
Professional services	135,752	47,510	514,291	697,553	263,435	960,988
Business travel	146,498	48,212	42,193	236,903	1,736	238,639
Depreciation	350,060	14,844	43,294	408,198	-	408,198
Insurance	141,028	-	24,856	165,884	-	165,884
Service canines expense	790,501	492	-	790,993	200	791,193
Warrior expense	202,134	-	-	202,134	620	202,754
Operating supplies & expenses	2,251,623	1,201,492	324,299	3,777,414	11,393	3,788,807
Total Non-Personnel	4,017,596	1,312,550	948,933	6,279,079	277,384	6,556,463
Total Expenses	\$ 9,658,126	\$ 1,931,160	\$ 1,169,047	\$ 12,758,333	\$ 655,571	\$ 13,413,904

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Functional Expenses

<i>Year ended December 31, 2020</i>	K9s For Warriors, Inc.				K9s For Warriors Research Institute, Inc.	
	Program Services	Fundraising	Management and General	Total	Management and General	Total
Personnel Costs						
Salaries	\$ 3,725,345	\$ 364,130	\$ 141,385	\$ 4,230,860	\$ 327,844	\$ 4,558,704
Employee fringe benefits	435,266	57,155	17,894	510,315	19,853	530,168
Payroll taxes	250,601	33,421	8,138	292,160	21,818	313,978
Total Personnel Costs	4,411,212	454,706	167,417	5,033,335	369,515	5,402,850
Professional services	171,234	49,403	242,676	463,313	159,635	622,948
Business travel	50,718	5,980	24,218	80,916	242	81,158
Depreciation	521,558	-	-	521,558	-	521,558
Insurance	128,807	291	21,800	150,898	-	150,898
Service canines expense	790,540	-	1,909	792,449	106	792,555
Warrior expense	148,633	68	-	148,701	-	148,701
Operating supplies & expenses	1,403,408	905,073	191,198	2,499,679	12,090	2,511,769
Total Non-Personnel	3,214,898	960,815	481,801	4,657,514	172,073	4,829,587
Total Expenses	\$ 7,626,110	\$ 1,415,521	\$ 649,218	\$ 9,690,849	\$ 541,588	\$ 10,232,437

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Cash Flows

<i>Year ended December 31, 2021</i>	K9s For Warriors			Eliminating	Total
	K9s For Warriors, Inc.	Research Institute, Inc.	Entries		
Cash flows from operating activities:					
Change in net assets	\$ 6,443,610	\$ 1,542,607	\$ -	\$ -	\$ 7,986,217
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Net realized gain on investments	(1,119,350)	-	-	-	(1,119,350)
Depreciation	408,196	-	-	-	408,196
Gain on extinguishment of debt	(906,897)	-	-	-	(906,897)
In kind contribution	(183,200)	-	-	-	(183,200)
Net change in:					
Contributions receivable	(617,779)	-	-	-	(617,779)
Pledges receivable, net	(453,109)	-	-	-	(453,109)
Inventory	17,974	-	-	-	17,974
Prepaid expense	(89,744)	(295)	-	-	(90,039)
Due to related party	(65,190)	-	-	-	(65,190)
Due from related party	1,548,100	(1,559,308)	-	-	(11,208)
Deferred revenue	(387,724)	-	-	-	(387,724)
Accounts payable and accrued expenses	1,212,426	(6,512)	-	-	1,205,914
Net cash provided by (used in) operating activities	5,807,313	(23,508)	-	-	5,783,805
Cash flows from investing activities:					
Capital expenditures	(8,638,570)	-	-	-	(8,638,570)
Purchase of investments	(2,703,596)	-	-	-	(2,703,596)
Proceeds from sale of investments	2,343,243	-	-	-	2,343,243
Net cash used in investing activities	(8,998,923)	-	-	-	(8,998,923)
Net change in cash	(3,191,610)	(23,508)	-	-	(3,215,118)
Cash at beginning of year	4,867,494	36,185	-	-	4,903,679
Cash at end of year	\$ 1,675,884	\$ 12,677	\$ -	\$ -	\$ 1,688,561

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Consolidated Statement of Cash Flows

<i>Year ended December 31, 2020</i>	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Eliminating Entries	Total
Cash flows from operating activities:				
Change in net assets	\$ 4,111,708	\$ (536,121)	\$ -	\$ 3,575,587
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Net realized gain on investments	(2,513,354)	-	-	(2,513,354)
Depreciation	521,558	-	-	521,558
Loss on disposal of fixed asset	247,929	-	-	247,929
Net change in:				
Contributions receivable	87,668	-	-	87,668
Pledges receivable, net	11,824	-	-	11,824
Inventory	55,835	-	-	55,835
Prepaid expense	172,343	-	-	172,343
Due to related party	(22,009)	526,388	(526,388)	(22,009)
Due from related party	(461,198)	-	526,388	65,190
Deferred revenue	345,662	-	-	345,662
Accounts payable and accrued expenses	(232,704)	5,139	-	(227,565)
Net cash provided by (used in) operating activities	2,325,262	(4,594)	-	2,320,668
Cash flows from investing activities:				
Capital expenditures	(2,908,901)	-	-	(2,908,901)
Purchase of investments	(2,446,692)	-	-	(2,446,692)
Proceeds from sale of investments	4,077,271	-	-	4,077,271
Net cash used in investing activities	(1,278,322)	-	-	(1,278,322)
Cash flows from financing activities:				
Proceeds from PPP loan	901,624	-	-	901,624
Net cash provided by financing activities	901,624	-	-	901,624
Net change in cash	1,948,564	(4,594)	-	1,943,970
Cash at beginning of year	2,918,930	40,779	-	2,959,709
Cash at end of year	\$ 4,867,494	\$ 36,185	\$ -	\$ 4,903,679

The accompanying notes are an integral part of these consolidated financial statements

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

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:

Basis of Accounting

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

Basis of Presentation

The accompanying consolidated 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 consolidated statement of activities as net assets released from restrictions.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts and activities of the Organization and its subsidiary. All material inter-company balances and transactions have been eliminated in consolidation.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued):

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.

Cash

Cash includes all cash balances and highly liquid investments with an original maturity of 30 days or less.

Contributions and Pledges Receivable

Contributions and pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based on the present value of their estimated future cash flows. Discounts are computed using market rates. Amortization of the discounts is included in contributed income. The Organization evaluates the collectability of receivables and records an allowance for uncollectible receivables when collection is determined to be unlikely. At December 31, 2021 there was no allowance for uncollectible revenues and at December 31, 2020, the allowance for uncollectible receivables totaled \$123,657.

Investments

Investments are reported at their estimated fair values in the consolidated statements of financial position as described in Note 3. 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. Investment advisory and other fees of \$89,906 and \$76,939 are included in the consolidated statement of functional expenses for the years ended December 31, 2021 and 2020, respectively.

Property and Equipment

Property and equipment greater than \$2,500 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 the consolidated statements of activities.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued):

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

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

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were approximately \$42,191 and \$86,225 for the years ended December 31, 2021 and 2020, respectively.

Inventories

Inventories are carried at the lower of cost or net realizable value and consists of promotional merchandise for sale. The Organization evaluates inventory annually for indicators of obsolescence.

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.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (Continued):

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. K9S typically recognizes contributed services related to project construction, repairs and maintenance, and information technology. There were contributed services for professional services totaling \$770,164 and \$25,196 during the years ended December 31, 2021 and 2020, respectively.

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 consolidated 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. During 2021, the Organization began allocating depreciation expense based on the usage of property and equipment. Prior to 2021, depreciation was allocated entirely to program services.

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, 2021 and 2020, 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, 2020, the Organization was no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2018. As of and for the year ended December 31, 2021, 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.

2. Summary of Significant Accounting Policies (Continued):

Recent Accounting Pronouncements – Not Yet Adopted

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, 2021. The Organization is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

3. 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 assets measured at fair value:

Mutual funds: The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchange (Level 1 inputs).

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. (Level 2 inputs)

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

3. Fair Value Measurements (Continued):

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

<i>December 31, 2021</i>	Cash and cash equivalents			Level 1	Level 2	Total
Corporate bonds	\$	-	\$	-	\$ 1,298,806	\$ 1,298,806
Municipal bonds		-		-	551,895	551,895
Mutual funds:						
Domestic equity		-		5,090,905	-	5,090,905
Fixed Income		-		1,599,129	-	1,599,129
International equity		-		2,096,288	-	2,096,288
Infrastructure		-		131,274	-	131,274
Reit		-		254,725	-	254,725
Money market funds		2,240,011		-	-	2,240,011
US Treasury Bonds and Notes		-		904,747	-	904,747
Total	\$	2,240,011	\$	10,077,068	\$	14,167,780

<i>December 31, 2020</i>	Cash and cash equivalents			Level 1	Level 2	Total
Corporate bonds	\$	-	\$	-	\$ 1,165,926	\$ 1,165,926
Municipal bonds		-		-	499,757	499,757
Mutual funds:						
Domestic equity		-		3,934,517	-	3,934,517
Fixed Income		-		2,482,692	-	2,482,692
International equity		-		1,896,319	-	1,896,319
Infrastructure		-		108,939	-	108,939
Reit		-		108,505	-	108,505
Money market funds		2,491,423		-	-	2,491,423
Total	\$	2,491,423	\$	8,530,972	\$	12,688,078

4. Pledges Receivable:

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

<i>December 31,</i>	2021	2020
Receivable in less than one year	\$ 1,280,121	\$ 730,000
Receivable between one to five years	1,460,000	1,715,000
	2,740,121	2,445,000
Less allowances and discounts (5% to 8%)	(51,148)	(209,136)
Net pledges receivable	\$ 2,688,973	\$ 2,235,864

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

5. Property and Equipment:

Property and Equipment consisted of the following:

<i>December 31,</i>	2021	2020
Buildings	\$ 7,974,912	\$ 7,745,717
Work in progress	9,030,122	675,974
Land	2,889,936	2,889,936
Vehicles	988,333	828,202
Land improvements	736,885	736,885
Furniture and equipment	834,589	756,293
Total property and equipment	22,454,777	13,633,007
Less: accumulated depreciation	(2,556,484)	(2,148,287)
Property and equipment, net	\$ 19,898,293	\$ 11,484,720

Depreciation expense totaled \$408,198 and \$521,558 for the years ended December 31, 2021 and 2020, respectively.

6. PPP Loan:

On May 11, 2020, the Organization received a \$901,624 loan made pursuant to the terms of the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan has a two-year term and accrues simple interest at a fixed annual rate of 1.00%. Under the terms of the CARES Act guidelines, a portion of the loan up to 100% may be forgiven by the U.S. Small Business Administration if the amount spent is within the timeframe and under the guidelines that have been set for forgiveness. At December 31, 2020, principal and interest totaling \$906,897 are outstanding. On February 1, 2021, the Organization received notice of forgiveness of its PPP loan in its entirety.

7. Line of Credit:

The Organization entered into a line of credit with available credit up to \$4 million effective April 2, 2021. The line of credit includes interest at LIBOR plus 1.40% with a minimum interest rate of 1.4% and matures April 5, 2023. The line of credit requires interest payable monthly with principal due upon maturity. There was no balance on the line of credit as of December 31, 2021.

8. Contributions In-Kind:

The Organization received the following non-cash contributions:

<i>Years ended December 31,</i>	2021	2020
Goods and services	\$ 1,263,052	\$ 555,446
Stock donations	221,467	53,616
Gift cards	5,897	1,393
Building	183,200	-
Total in-kind contributions	\$ 1,673,616	\$ 610,455

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

9. 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:

<i>December 31,</i>	2021	2020
Pledges receivable	\$ 2,740,121	\$ 2,445,000
Dog sponsorships	1,889,863	1,700,356
Miscellaneous equipment	32,500	32,500
Total net assets with donor restrictions	\$ 4,662,484	\$ 4,177,856

Net assets were released from restrictions as follows:

<i>Years ended December 31,</i>	2021	2020
Pledges collected	\$ 730,000	\$ 1,250,000
Dogs sponsored	779,118	643,054
Total released	\$ 1,509,118	\$ 1,893,054

Net assets without donor restrictions

At December 31, 2021 and 2020, all unrestricted net assets are undesignated as to their use.

10. Liquidity and Availability of Resources:

The 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 as of December 31:

<i>December 31,</i>	2021	2020
Financial assets:		
Investments	\$14,167,780	\$12,688,078
Cash	1,688,561	4,903,679
Contributions receivable	644,513	26,734
Pledges receivable	1,280,121	730,000
Due from related party	216,292	205,084
Total financial assets available within one year	\$17,997,267	\$18,553,575

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

11. Related Party Transactions:

As of December 31 2020, K9RI owed K9s \$1,559,308, for operating expenses. The amount due is non- interest bearing and is expected to be repaid as funds become available from K9RI. During the year ended December 31, 2021, K9RI ceased operations and began the process to dissolve K9RI. As a result, K9s recorded a loss on extinguishment of debt of approximately \$2.2 million for the balance of the K9RI receivable and K9RI recorded the associated gain. The gain and loss are included in nonoperating costs on the consolidated statement of activities for the year ended December 31, 2021.

American Service Dog Access Coalition (“ASDAC”) is a related party to K9s through an economic interest. As of December 31, 2021 and 2020, ASDAC owed K9s \$205,084 for start-up and operating costs paid by K9s. As of December 31, 2021 and 2020, K9s owed ASDAC \$65,190 for outstanding pledges.

During 2021 and 2020, K9s made contributions of \$75,000 to ASDAC. This contribution expense is included in operating supplies and expenses. During 2021 and 2020, K9s paid \$16,184 and \$18,801, respectively, to Business Intelligence, a vendor of the Organization, owned by a relative of the President of K9s.

12. 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, 2021 and 2020 was \$126,630 and \$81,642, respectively.

13. Concentrations:

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021 and 2020, the Organization had approximately \$882,000 and \$4.4 million in excess of FDIC insured limits. The Organization does not believe it is exposed to any significant credit risks on these deposits, respectively.

The Organization received contributions from two donors totaling \$2,869,560, which represented approximately 22% of total contribution revenues, during the year ended December 31, 2020. Pledges receivable from these donors accounted for approximately 54% of total pledges receivable at December 31, 2020. There were no concentrations at December 31, 2021.

14. Commitments and Contingencies:

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 consolidated financial position, liquidity, or results of operations.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to Consolidated Financial Statements

14. Commitments and Contingencies (Continued):

Operating Leases

The Organization has operating leases related to various pieces of equipment. Operating lease rent payments totaled \$17,562 and \$10,589 in 2021 and 2020, respectively. The leases have start dates beginning October 2015 and maturing in July 2025. There are no escalating payment terms.

The following table represents the future minimum payment on leases as of December 31, 2021:

<i>Year ended December 31.</i>	
2022	13,011
2023	13,011
2024	13,011
2025	7,292
Total minimum lease payments	\$ 46,325

15. Subsequent Events:

Events occurring after December 31, 2021, the date of the most recent consolidated financial statements, have been evaluated for possible adjustments to the consolidated financial statements or disclosures through June 3, 2022, 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.

Supplemental Information

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
 Schedule of Expenditures of Federal Awards
 December 31, 2021

AL #	Federal Program Title	Direct/ Pass-Through	Agency or Pass-Through Entity	Pass-Through No. or Other Identifier	Federal Expenditures	Passed-Through to Subrecipients
12.750	Uniformed Services University of the Health Sciences Medical Research Projects	Pass-through	Department of Defense pass through the Uniformed Services University of the Health Sciences	HU00012010021	\$ 387,724	\$ -
12.750	Uniformed Services University of the Health Sciences Medical Research Projects	Pass-through	Department of Defense pass through the Uniformed Services University of the Health Sciences	HU00012110013	498,390	-
					\$ 886,114	\$ -

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of K9s for Warriors, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of K9s For Warriors, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of K9s For Warriors, Inc.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate:

K9s For Warriors, Inc has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2021

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
○ Material weakness(es) identified?	No
○ Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
○ Material weakness(es) identified?	No
○ Significant deficiency(ies) identified?	Yes
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>CFDA Number</u>
Uniformed Services University Medical Research Projects	12.750
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section II – Findings Related to the Consolidated Financial Statements Required to be Reported in Accordance with GAGAS

None

Section III - Findings and Questioned Costs for Major Federal Award Program

Finding Number 2021-001 – Reporting

Federal Program: Uniformed Services University Medical Research Projects; Assistance Listing No. 12.750

Criteria: The Code of Federal Regulations Section 200.328 states that an organization must monitor its activities to ensure compliance with applicable Federal reporting requirements. SF-425 is required on a semi-annual and annual basis and the Organization is required to maintain adequate internal controls over reporting requirements.

Condition: The Organization was not able to provide documentation to support the timely filing of the Interim SF-425 report for the period ending December 31, 2020.

Cause: The change in personnel responsibilities and staff turnover coupled with lack of formal procedures resulted in compliance failure and a significant deficiency with the reporting requirement.

Questioned Costs: None

Context: During our testing, we identified 1 of the 4 samples selected was not in compliance. The Organization was required to prepare and submit the reports noted above. However, whether or not the reports were prepared or submitted, they could not be provided to the auditor.

Effect or Potential Effect: We were unable to confirm that the required report was submitted timely.

Recommendation: We recommend the Organization implement controls to ensure appropriate staff are educated with program requirements, reports are filed timely, and documents are retained.

Views of Responsible Officials: On May 19, 2022, Zach Rossley, CFO, communicated that the organization agrees with the recommendation. During 2021, the organization replaced the grants manager and implemented more formal process for grant reporting and management. The organization has also gone back and filed the SF-425.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Corrective Action Plan
Year Ended December 31, 2021

Finding Number 2021-001 – Reporting

Federal Program: Uniformed Services University Medical Research Projects; Assistance Listing No. 12.750

Responsible Official: Zach Rossley, CFO

Corrective Action Planned: The organization has replaced the grants manager and has since implemented more formal process for grant reporting and management. The organization also filed the late SF-425 during 2022. The organization has completed its plan as of May 26, 2022.

K9s For Warriors, Inc. and K9s For Warriors Research Institute, Inc.
Schedule of Prior Year Findings and Questioned Costs
Year Ended December 31, 2020

None