K9s for Warriors, Inc.
K9s for Warriors Research Institute, Inc.

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

PIVOT CPAs

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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

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, 2023 and 2022, 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, 2023 and 2022, 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). 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.

Emphasis of Matter - Restatement of 2022 Financial Statements

As described in Note 3 to the financial statements, the Organization restated its 2022 financial statements due to an error identified related to net assets with donor restriction and net assets without donor restriction. Our conclusion is not modified with respect to this matter.

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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 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, 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.

Pivot CPAs

Ponte Vedra Beach, Florida
October 4, 2024

Consolidated Financial Statements

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

Consolidated Statement of Financial Position

December 31, 2023	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Elimination	Total
Assets				
Current Assets:				
Cash	$ 3,490,425	$ -	$ -	$ 3,490,425
Investments	10,930,608	-	-	10,930,608
Contributions receivable, net	88,531	-	-	88,531
Pledges receivable, net	675,130	-	-	675,130
Inventory	29,713	-	-	29,713
Prepaids	503,484	-	-	503,484
Total Current Assets	15,717,891	-	-	15,717,891
Finance lease assets, net	342,293	-	-	342,293
Property and equipment, net	23,539,673	-	-	23,539,673
Total Assets	$ 39,599,857	$ -	$ -	$ 39,599,857
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$ 1,106,809	$ -	$ -	$ 1,106,809
Deferred revenue	175,874	-	-	175,874
Line of Credit	6,475,000	-	-	6,475,000
Finance lease liabilities, current	85,701	-	-	85,701
Total Current Liabilities	7,843,384	-	-	7,843,384
Finance lease liabilities, net of current	$ 266,723	-	-	266,723
Total Liabilities	8,110,107	-	-	8,110,107
Net Assets:				
With donor restrictions	3,764,840	-	-	3,764,840
Without donor restrictions	27,724,910	-	-	27,724,910
Total Net Assets	31,489,750	-	-	31,489,750
Total Liabilities and Net Assets	$ 39,599,857	$ -	$ -	$ 39,599,857

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

December 31, 2022, as restated	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Elimination	Total
Assets				
Current Assets:				
Cash	$ 3,955,752	$ -	$ -	$ 3,955,752
Investments	10,767,220	-	-	10,767,220
Contributions receivable, net	76,360	-	-	76,360
Pledges receivable, net	1,145,000	-	-	1,145,000
Inventory	38,355	-	-	38,355
Prepaids	188,681	-	-	188,681
Total Current Assets	16,171,368	-	-	16,171,368
Pledges receivable long term, net	359,568	-	-	359,568
Right of use asset, net	176,963	-	-	176,963
Property and equipment, net	25,732,756	-	-	25,732,756
Total Assets	$ 42,440,655	$ -	$ -	$ 42,440,655
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	$ 1,855,683	$ -	$ -	$ 1,855,683
Debt, current	48,783	-	-	48,783
Operating lease liability, current	100,727	-	-	100,727
Total Current Liabilities	2,005,193	-	-	2,005,193
Operating lease liability, net of current	76,235	-	-	76,235
Long term debt, net of current	811,769	-	-	811,769
Line of Credit	8,000,000	-	-	8,000,000
Total Liabilities	10,893,197	-	-	10,893,197
Net Assets:				
With donor restrictions	3,793,806	-	-	3,793,806
Without donor restrictions	27,753,652	-	-	27,753,652
Total Net Assets	31,547,458	-	-	31,547,458
Total Liabilities and Net Assets	$ 42,440,655	$ -	$ -	$ 42,440,655

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

Year ended December 31, 2023	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	$ 17,129,027	$ 3,044,441	$ 20,173,468	$ -	$ 20,173,468
Contributions in-kind	2,004,945	-	2,004,945	-	2,004,945
Grants	874,998	-	874,998	-	874,998
Interest and investment income	310,592	-	310,592	-	310,592
Miscellaneous income	146,834	-	146,834	-	146,834
Gain on sale of fixed assets	612,987	-	612,987		612,987
Net change in unrealized gain on investments	1,191,253	-	1,191,253	-	1,191,253
Assets released from restriction	3,073,407	(3,073,407)	-	-	-
Total Revenue and Support	25,344,043	(28,966)	25,315,077	-	25,315,077
Expenses:					
Program services	17,747,461	-	17,747,461	-	17,747,461
Fundraising	4,277,579	-	4,277,579	-	4,277,579
Management and general	2,669,025	-	2,669,025	-	2,669,025
Total Expenses	24,694,065	-	24,694,065	-	24,694,065
Change in net assets from operations	649,978	(28,966)	621,012	-	621,012
Nonoperating activities:					
Interest expense	(678,720)	-	(678,720)	-	(678,720)
Change in net assets	(28,742)	(28,966)	(57,708)	-	(57,708)
Net assets, beginning of year	27,753,652	3,793,806	31,547,458	-	31,547,458
Net assets, end of year	$ 27,724,910	$ 3,764,840	$ 31,489,750	$ -	$ 31,489,750

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

Year ended December 31, 2022, as restated	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
Revenue and Support:					
Contributions	$ 16,302,194	$ 1,895,000	$ 18,197,194	$ -	$ 18,197,194
Contributions in-kind	2,257,579	-	2,257,579	-	2,257,579
Grants	1,248,388	-	1,248,388	-	1,248,388
Interest and investment income	254,722	-	254,722	-	254,722
Miscellaneous income	29,438	-	29,438	-	29,438
Loss on extinguishment of debt	(205,083)	-	(205,083)	-	(205,083)
Net change in unrealized loss on investments	(2,192,425)	-	(2,192,425)	-	(2,192,425)
Assets released from restriction	3,363,678	(3,363,678)	-	-	-
Total Revenue and Support	21,058,491	(1,468,678)	19,589,813	-	19,589,813
Expenses:					
Program services	20,581,761	-	20,581,761	-	20,581,761
Fundraising	3,326,946	-	3,326,946	2,635	3,329,581
Management and general	1,857,718	-	1,857,718	-	1,857,718
Total Expenses	25,766,425	-	25,766,425	2,635	25,769,060
Change in net assets from operations	(4,707,934)	(1,468,678)	(6,176,612)	(2,635)	(6,179,247)
Nonoperating activities:					
Interest expense	(170,222)	-	(170,222)	-	(170,222)
Change in net assets	(4,878,156)	(1,468,678)	(6,346,834)	(2,635)	(6,349,469)
Net assets, beginning of year	32,631,808	5,262,484	37,894,292	2,635	37,896,927
Net assets, end of year	$ 27,753,652	$ 3,793,806	$ 31,547,458	$ -	$ 31,547,458

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

Year ended December 31, 2023	K9s For Warriors, Inc. Program Services	K9s For Warriors, Inc. Fundraising	K9s For Warriors, Inc. Management and General	K9s For Warriors, Inc. Total	K9s For Warriors Research Institute, Inc. Management and General	Total
Personnel Costs:						
Salaries	$ 8,577,193	$ 1,122,705	$ 1,252,470	$ 10,952,368	$ -	$ 10,952,368
Employee fringe benefits	1,157,919	98,351	99,705	1,355,975	-	1,355,975
Payroll taxes	653,650	84,830	81,130	819,610	-	819,610
Total Personnel Costs	10,388,762	1,305,886	1,433,305	13,127,953	-	13,127,953
Non-Personnel Costs:						
Office expenses	197,191	215,004	70,530	482,725	-	482,725
Other operating costs	99,187	150,426	223,338	472,951	-	472,951
Facility and occupancy	996,499	20	1,158	997,677	-	997,677
Advertising and marketing	458,192	1,470,109	3,052	1,931,353	-	1,931,353
Professional Services	253,896	993,982	684,164	1,932,042	-	1,932,042
Travel and transporation	362,455	68,410	38,325	469,190	-	469,190
Insurance	204,722	-	22,137	226,859	-	226,859
Service K9 expense	2,795,714	-	235	2,795,949	-	2,795,949
Information Technology	646,285	12,769	71,235	730,289	-	730,289
Depreciation and Amortization	821,294	60,973	121,546	1,003,813	-	1,003,813
Warrior	523,264	-	-	523,264	-	523,264
Total Non-Personnel	7,358,699	2,971,693	1,235,720	11,566,112	-	11,566,112
Total Expenses	$ 17,747,461	$ 4,277,579	$ 2,669,025	$ 24,694,065	$ -	$ 24,694,065

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

Year ended December 31, 2022	K9s For Warriors, Inc. Program Services	K9s For Warriors, Inc. Fundraising	K9s For Warriors, Inc. Management and General	K9s For Warriors, Inc. Total	K9s For Warriors Research Institute, Inc. Management and General	Total
Personnel Costs:						
Salaries	$ 8,440,549	$ 959,672	$ 301,252	$ 9,701,473	$ -	$ 9,701,473
Employee fringe benefits	1,006,326	66,286	25,865	1,098,477	-	1,098,477
Payroll taxes	639,791	73,091	20,967	733,849	-	733,849
Total Personnel Costs	10,086,666	1,099,049	348,084	11,533,799	-	11,533,799
Non-Personnel Costs:						
Office expenses	452,561	143,667	50,570	646,798	-	646,798
Other operating costs	714,749	183,688	300,152	1,198,589	2,129	1,200,718
Facility and occupancy	1,161,535	209	1,065	1,162,809	-	1,162,809
Advertising and marketing	836,933	94,123	3,388	934,444	-	934,444
Professional Services	853,497	1,632,167	811,155	3,296,819	506	3,297,325
Travel and transporation	426,273	118,427	122,506	667,206	-	667,206
Insurance	182,523	-	25,082	207,605	-	207,605
Service K9 expense	3,813,264	-	-	3,813,264	-	3,813,264
Information Technology	449,251	-	-	449,251	-	449,251
Depreciation and Amortization	945,225	6,613	97,711	1,049,549	-	1,049,549
Warrior	659,284	49,003	98,005	806,292	-	806,292
Total Non-Personnel	10,495,095	2,227,897	1,509,634	14,232,626	2,635	14,235,261
Total Expenses	$ 20,581,761	$ 3,326,946	$ 1,857,718	$ 25,766,425	$ 2,635	$ 25,769,060

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

Year ended December 31, 2023	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Eliminating Entries	Total
Cash flows from operating activities:				
Change in net assets	$ (57,708)	$ -	$ -	$ (57,708)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Net realized and unrealized gain on investments	(1,341,614)	-	-	(1,341,614)
Depreciation	926,305	-	-	926,305
Amortization of finance lease assets	77,508	-	-	77,508
Write off terminated operating lease	176,963	-	-	176,963
Donated securities	(491,590)	-	-	(491,590)
House gifted to warrior	189,974	-	-	189,974
Gain on sale of fixed assets	(612,987)	-	-	(612,987)
In kind contributions	(257,369)	-	-	(257,369)
Net change in:				-
Contributions receivable	(12,171)	-	-	(12,171)
Pledges receivable, net	829,438	-	-	829,438
Inventory	8,642	-	-	8,642
Prepaid expense	(314,806)	-	-	(314,806)
Operating lease liability	(176,963)	-	-	(176,963)
Accounts payable and accrued expenses	(576,612)	-	-	(576,612)
Net cash used in operating activities	(1,632,990)	-	-	(1,632,990)
Cash flows from investing activities:				
Capital expenditures	(339,225)	-	-	(339,225)
Proceeds from sale of fixed assets	2,290,000	-	-	2,290,000
Purchase of investments	(6,379,767)	-	-	(6,379,767)
Proceeds from sale of investments	8,049,583	-	-	8,049,583
Net cash provided by investing activities	3,620,591	-	-	3,620,591
Cash flows from financing activities:				
Net advances on line of credit	(1,525,000)	-	-	(1,525,000)
Payments on debt	(860,552)	-	-	(860,552)
Payments on finances leases	(67,376)	-	-	(67,376)
Net cash used in financing activities	(2,452,928)	-	-	(2,452,928)
Net change in cash	(465,327)	-	-	(465,327)
Cash at beginning of year	3,955,752	-	-	3,955,752
Cash at end of year	$ 3,490,425	$ -	$ -	$ 3,490,425
Supplemental disclosures of cash flow information:				
Cash paid for interest	$ 678,720	$ -	$ -	$ 678,720

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

Year ended December 31, 2022	K9s For Warriors, Inc.	K9s For Warriors Research Institute, Inc.	Eliminating Entries	Total
Cash flows from operating activities:				
Change in net assets	$ (6,346,834)	$ (2,635)	$ -	$ (6,349,469)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Net realizedand unrealized loss on investments	2,214,327	-	-	2,214,327
Depreciation	754,969	-	-	754,969
Change in right of use asset	(176,963)	-	-	(176,963)
Donated securities	(614,214)	-	-	(614,214)
House gifted to warrior	173,762	-	-	173,762
Loss on sale of fixed asset	51,323	-	-	51,323
In kind contributions	(198,390)	-	-	(198,390)
Net change in:				
Contributions receivable	568,153	-	-	568,153
Pledges receivable, net	1,184,405	-	-	1,184,405
Inventory	26,940	-	-	26,940
Prepaid expense	(16,120)	295	-	(15,825)
Due from related party	216,292	-	-	216,292
Operating lease liability	176,963	-	-	176,963
Accounts payable and accrued expenses	220,384	(10,337)	-	210,047
Net cash used in operating activities	(1,765,003)	(12,677)	-	(1,777,680)
Cash flows from investing activities:				
Capital expenditures	(5,742,304)	-	-	(5,742,304)
Proceeds from sale of fixed assets	13,676	-	-	13,676
Purchase of investments	(3,309,132)	-	-	(3,309,132)
Proceeds from sale of investments	5,109,579	-	-	5,109,579
Net cash used in investing activities	(3,928,181)	-	-	(3,928,181)
Cash flows from financing activities:				
Net advances on line of credit	8,000,000	-	-	8,000,000
Payments on long term debt	(26,948)	-	-	(26,948)
Net cash provided by financing activities	7,973,052	-	-	7,973,052
Net change in cash	2,279,868	(12,677)	-	2,267,191
Cash at beginning of year	1,675,884	12,677	-	1,688,561
Cash at end of year	$ 3,955,752	$ -	$ -	$ 3,955,752
Supplemental disclosures of cash flow information:				
Building financed with debt	$ 887,500	$ -	$ -	$ 887,500
Cash paid for interest	$ 170,222	$ -	$ -	$ 170,222

The accompanying notes are an integral part of these 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 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. K9RI was dissolved at the end of 2021 and incurred close out expenses during 2022.

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/or 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.

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 allowance method is used to determine uncollectible accounts and is based on account by account determination, prior years' experience and management's analysis of subsequent collections. Management has determined that substantially all receivable balances are collectible and therefore no allowance for credit losses has been recorded at December 31, 2023. There was an allowance recorded of $10,787 at December 31, 2022.

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. Investment advisory and other fees of $85,707 and $84,531 are included in the consolidated statement of functional expenses for the years ended December 31, 2023 and 2022, respectively.

Leases

Right of use lease assets are recognized upon lease commencement and represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments resulting from the lease agreement and are recognized at commencement date based on the present value of lease payments over the lease term. The Organization does not record a right of use asset or lease liability to leases which have a lease term of 12 months or less. The Organization has elected not to separate lease components from nonlease components and to account for each separate lease component and the nonlease components associated with that lease component as a single lease component. The Organization has also elected to determine the discount rate by using the United States Department of the Treasury risk-free discount rate for a period that is comparable to the lease term.

2. Summary of Significant Accounting Policies (Continued):

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. Construction in Progress represents costs incurred for Organization projects that are not yet completed and are not yet available for use. The Organization begins to capitalize costs once it has incurred expenditures related to the construction of a long-lived asset. Upon completion of these projects, costs will be transferred to the appropriate asset category and depreciated over their useful lives.

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, 2023 and 2022.

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

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.

Deferred Revenue

Deferred revenue consists of revenue received related to sponsorships for upcoming events in the next fiscal year. Revenue is recognized upon completion of those events.

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.

2. Summary of Significant Accounting Policies (Continued):

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 Organization typically recognizes contributed services related to project construction, repairs and maintenance, and information technology. There were contributed services for professional services totaling $282,214 and $703,369 during the years ended December 31, 2023 and 2022, 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. Depreciation expense is allocated based on the usage of property and equipment.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs were approximately $14,308 and $30,724 for the years ended December 31, 2023 and 2022, respectively.

2. Summary of Significant Accounting Policies (Continued):

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, 2023 and 2022, 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, 2023, the Organization was no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2020. As of and for the year ended December 31, 2023, 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.

Reclassifications

During the year ended December 31, 2023, the Organization reclassified certain prior year expenses into different categories to better reflect the nature of the expenses. The reclassification had no effect on the functional expense classification. The Organization also reclassified $170,220 of interest expense from functional expense to non-operating activities for the year ended December 31, 2022, to enhance clarity and accuracy of financial reporting.

Recent Accounting Pronouncements – Adopted

On January 1, 2022, the Organization adopted ASU No. 2016-02 Leases (ASC 842), requiring lessees to recognize right-of-use assets and lease liabilities for the rights and obligations created by leases. The Organization adopted the standard using the modified retrospective approach, applying standard at the adoption date.

Upon adoption, the Organization applied a package of practical expedients to all leases as permitted within the new standard which allowed the Organization to (a) not reassess existing contracts to determine if they contained a lease or if initial direct costs qualified for capitalization, (b) to carry forward all historical lease classifications and (c) to not reassess initial direct costs for any existing leases. The Organization did not elect the hindsight practical expedient when determining the lease term for existing leases. The Organization elected not to apply the standard to leases which have a lease term of 12 months or less.

2. Summary of Significant Accounting Policies (Continued):

The adoption of the new standard resulted in the initial recording operating lease right of use assets and related lease liabilities of $276,648 as of January 1, 2022. The standard had no effect on the results of operations.

On January 1, 2023, the Organization adopted FASB ASC 326, *Financial Instruments – Credit Losses* (ASC 326). The accounting standard amended the current financial instrument impairment model by requiring entities to use a forward-looking approach to estimate credit losses from exposure to credit risk on certain types of financial instruments, including trade receivables. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses which will result in more timely recognition of such losses. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in certain new disclosures.

3. Restatement:

During 2023, the Organization identified an error related to the release of restrictions on certain net assets. Net assets were improperly released from restriction totaling $369,645 for the year ended December 31, 2022 and $600,000 for the year ended December 31, 2021.

The error occurred because of a misunderstanding in the nature of the restriction of the net assets. As a result, the Organization's previously reported financial statements did not accurately reflect the appropriate classification of net assets.

The effect on the statement of position as of December 31, 2022 for the correction of this error was an increase to net assets with donor restrictions and decrease to net assets without donor restrictions of $969,645, of which $600,000 of the increase in net assets with donor restrictions was related to the year ended December 31, 2021. The effect on the statement of activities of the correction of this error was a decrease to net assets released from restriction of $300,000 and increase in contributions with donor restrictions of $69,445 for the year ended December 31, 2022.

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.

4. Fair Value Measurements (Continued):

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: 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)

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

December 31, 2023	Cash and cash equivalents	Level 1	Level 2	Total
Corporate bonds	$ -	$ -	$ 1,067,892	$ 1,067,892
Municipal bonds	-	-	500,034	500,034
Mutual funds:				
Domestic equity	-	1,920,666	-	1,920,666
Fixed income	-	516,651	-	516,651
International equity	-	834,647	-	834,647
Infrastructure	-	72,070	-	72,070
Commodities	-	52,346	-	52,346
Money market funds	5,345,138	-	-	5,345,138
US treasury bonds and notes	-	621,164	-	621,164
Total	$ 5,345,138	$ 4,017,544	$ 1,567,926	$ 10,930,608

4. Fair Value Measurements (Continued):

December 31, 2022	Cash and cash equivalents	Level 1	Level 2	Total
Corporate bonds	$ -	$ -	$ 1,232,650	$ 1,232,650
Municipal bonds	-	-	534,451	534,451
Mutual funds:				
Domestic equity	-	3,872,504	-	3,872,504
Fixed income	-	1,326,966	-	1,326,966
International equity	-	1,674,775	-	1,674,775
Infrastructure	-	235,305	-	235,305
Money market funds	714,043	-	-	714,043
US treasury bonds and notes	-	1,176,526	-	1,176,526
Total	$ 714,043	$ 8,286,076	$ 1,767,101	$ 10,767,220

5. Pledges Receivable:

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

December 31,	2023	2022
Receivable in less than one year	$ 675,130	$ 1,145,000
Receivable between one to five years	-	370,355
	675,130	1,515,355
Less allowances and discounts (5% to 8%)	-	(10,787)
Net pledges receivable	$ 675,130	$ 1,504,568

6. Property and Equipment:

Property and Equipment consisted of the following:

December 31,	2023	2022
Buildings	$ 21,316,234	$ 22,573,794
Construction in progress	117,805	249,768
Land	2,383,830	2,824,936
Vehicles	1,314,640	1,254,470
Land improvements	740,660	878,315
Furniture and equipment	1,197,619	1,253,487
Total property and equipment	27,070,788	29,034,770
Less: accumulated depreciation	(3,531,115)	(3,302,014)
Property and equipment, net	$ 23,539,673	$ 25,732,756

Depreciation expense totaled $922,691 and $754,968 for the years ended December 31, 2023 and 2022, respectively.

7. Leases:

During 2023, the Organization entered into finance lease agreements for office copiers and printers.

During 2022, the Organization had an operating lease agreement for a building and the surrounding premises that was used to train service canines. The organization terminated the lease agreement as of January 2023.

Lease expense, depreciation expense relating to finance leased assets, and interest expense relating to finance lease obligations are recognized within the statement of income for the years ended December 31, 2023 and 2022 is as follows:

Year ended December 31,	2023	2022
Finance lease expense		
Amortization of finance lease assets	$ 77,508	$ -
Interest on lease liabilities	13,372	-
Operating lease expense	-	102,000
Short term lease expense	128,082	140,644
Total lease expense	$ 218,962	$ 242,644

The following tables reflect the minimum cash outflow regarding current lease obligations as well as the weighted-average remaining lease and weighted-average discount rates used to calculate lease obligations and right of use assets:

Years ending December 31,	Finance leases
2024	$ 97,717
2025	97,717
2026	93,466
2027	74,662
2028	16,232
Total lease payments	379,794
Less: interest	(27,370)
Present value of lease liabilities	$ 352,424

December 31,	2023	2022
Weighted-average remaining lease term in years		
Finance leases	3.96	-
Operating leases	-	1.75
Weighted average-discount rate		
Finances leases	3.94%	-
Operating leases	-	1.04%

7. Leases (Continued):

Cash outflows from operating leases include rent expense and other charges associated with leases. The cash flows are included within the operating section of the statement of cash flows. Cash flows from finance lease include both an interest and payment of principal component. The table below shows the cash outflows, by lease type and related section of the statement of cash flows as well as non-cash amount capitalized on the balance sheet in relation to operating right of use assets:

Year ended December 31,	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 12,230	$ -
Financing cash flows from finance leases	67,376	-
Operating cash flows from operating leases	-	102,000
Finance lease assets obtained for new lease liabilities	419,801	-
Operating lease assets obtained for new lease liabilities	-	276,648

8. Lines of Credit:

On January 27, 2023, the Organization executed Loan Agreement with a financial institution that provides for 1) a $10 million line of credit agreement (“LOC Note”) and 2) a $1 million non-revolving draw down term loan (“Equipment Note”). All existing lines of credit and debt were paid in full upon execution of the new Loan Agreement. Under the terms of the LOC Note, interest is payable monthly bearing interest at SOFR plus 1.75% and matures January 27, 2024. The outstanding principal and interest balance is payable upon maturity. The LOC Note is secured by substantially all assets of the Organization.

Under the terms of the Equipment Note, advances may be made to purchase equipment commencing upon the execution of the agreement through January 27, 2024, with the outstanding balance converting to a term loan effective January 27, 2024. Interest only is payable monthly on outstanding principal balance monthly commencing February 15, 2023. Beginning February 15, 2024, principal and interest payments are payable monthly maturing January 27, 2029. The Equipment Loan bears interest at SOFR plus 1.75% through January 27, 2024, then converting to a fixed rate equal to FHLB rate plus 2.50%.

As of December 31, 2023, there was no balance on the promissory note. The line of credit balance was $6.475 million as of December 31, 2023.

At December 31, 2022, the Organization had a line a credit with a financial institution that included interest at SOFR plus 2.25% and matured July 5, 2023. The total balance of the lines of credit was $8 million as of December 31, 2022.

9. Debt:

The Organization entered into a note payable for $887,500 on May 10, 2022, for the purchase of a building. The note was due May 2025 with monthly payments of principal plus interest payable of $6,152 and a balloon payment of the remaining balance due at maturity. The note payable included interest at 2.99% and was secured by real property. The Organization repaid the note payable in full with the execution of the new Loan Agreement (Note 8).

10. Contributions In-Kind:

The Organization received the following non-cash contributions:

Years ended December 31,	2023	2022
Goods and services	$ 1,255,043	$ 1,443,430
Stock donations	491,590	614,214
Gift cards	943	1,545
Building	257,369	198,390
Total in-kind contributions	$ 2,004,945	$ 2,257,579

11. 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,	2023	2022, *as restated*
Pledges receivable	$ 2,005,000	$ 2,485,000
Dog sponsorships	1,759,840	1,276,306
Miscellaneous equipment	-	32,500
Total net assets with donor restrictions	$ 3,764,840	$ 3,793,806

Net assets were released from restrictions as follows:

Years ended December 31,	2023	2022, *as restated*
Pledges collected	$ 480,000	$ 1,435,121
Miscellaneous equipment	32,500	-
Dogs sponsored	2,560,907	1,928,557
Total released	$ 3,073,407	$ 3,363,678

Net Assets without Donor Restrictions

At December 31, 2023 and 2022, all unrestricted net assets are undesignated as to their use.

12. Liquidity and Availability of Resources:

The financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled payments on operating leases, were as follows as of December 31:

December 31,		2023		2022
Financial assets:				
Investments	$	10,930,608	$	10,767,220
Cash		3,490,425		3,955,752
Contributions receivable		88,531		76,360
Pledges receivable		675,130		1,145,000
Total financial assets available within one year	$	15,184,694	$	15,944,332

13. Related Party Transactions:

American Service Dog Access Coalition (“ASDAC”) is a related party to K9s through an economic interest. During 2022, the Organization determined the entire balance of the receivable due from ASDAC would not be collected and wrote off $205,084.

During 2022, K9s made contributions of $150,000 to ASDAC. This contribution expense is included in other operating costs. During 2022 and 2023, K9s incurred expense of $162,500 and $32,500, respectively, to Overbrook Ventures, LLC for consulting to the Board. Overbook Ventures, LLC is owned by the former CEO of K9s.

14. Retirement Plan:

The Organization sponsors a 401(k) tax-deferred plan allowing for employee elective deferrals and employer matching contributions. Employer contributions for the years ended December 31, 2023 and 2022 were $204,387 and $196,110, respectively.

15. 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, 2023 and 2022, the Organization had approximately $2.2 million and $2.6 million in excess of FDIC insured limits. The Organization does not believe it is exposed to any significant credit risks on these deposits, respectively.

16. Commitments and Contingencies:

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.

17. Subsequent Events:

During January 2024, the Organization paid the line of credit balance in full. On April 8, 2024, the Organization executed a $3 million line of credit with a financial institution. Under the terms of the new line of credit agreement, interest is payable monthly bearing interest at SOFR plus 1.75% and matures April 8, 2025. The outstanding principal and interest balance is payable upon maturity.

On May 15, 2024, the Organization executed a $5 million mortgage with a financial institution. The new agreement requires monthly principal and interest payments based on 20 year amortization schedule with interest rate of SOFR plus 2%. The mortgage matures May 2031, with a remaining balance balloon payment due at maturity.

Management has evaluated subsequent events through October 4, 2024, the date the consolidated financial statements were available to be issued and has determined that, except as disclosed above, there were no material events requiring recognition or disclosure.