K9s for Warriors, Inc.

Financial Statements

Years Ended December 31, 2024 and 2023

K9s For Warriors, Inc.

Table of Contents

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of K9s For Warriors Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of K9s For Warriors Inc. as of December 31, 2024 and 2023, 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 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 2023 Financial Statements

As described in Note 3 to the financial statements, the Organization restated its 2023 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or available to be issued.

238 Ponte Vedra Park Drive, Ponte Vedra Beach, FL 32082 | T:904-280-2053 | F:904-280-2055 | PivotCPAs.com

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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
July 18, 2025

Financial Statements

K9s For Warriors, Inc.
Statement of Financial Position

December 31,	2024	Restated 2023
Assets		
Current Assets:		
Cash	$ 6,712,987	$ 3,490,425
Investments	5,710,385	10,930,608
Contributions receivable, net	516,866	88,531
Pledges receivable, net	-	675,130
Inventory	163,450	29,713
Prepaid assets	448,358	503,484
Total Current Assets	13,552,046	15,717,891
Finance lease assets, net	436,000	342,293
Operating lease assets, net	115,788	-
Construction in progress	1,071,355	117,806
Property and equipment, net	23,331,754	23,421,867
Total Assets	$ 38,506,943	$ 39,599,857
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,627,879	$ 1,106,809
Deferred revenue	239,500	175,874
Line of credit	-	6,475,000
Mortgage payable, current	98,047	-
Finance lease liabilities, current	126,400	85,701
Operating lease liabilities, current	87,154	-
Total Current Liabilities	2,178,980	7,843,384
Mortgage payable, net of current	4,793,406	-
Finance lease liabilities, net of current	320,550	266,723
Operating lease liabilities, net of current	30,001	-
Total Liabilities	7,322,937	8,110,107
Net Assets:		
With donor restrictions	5,564,292	5,668,869
Without donor restrictions	25,619,714	25,820,881
Total Net Assets	31,184,006	31,489,750
Total Liabilities and Net Assets	$ 38,506,943	$ 39,599,857

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

K9s For Warriors, Inc.
Statement of Activities

Year ended December 31, 2024	Without donor restrictions	With donor restrictions	Total
Revenue and Support:			
Contributions	$ 19,222,396	$ 2,474,027	$ 21,696,423
Contributions in-kind	1,288,066	-	1,288,066
Grants	1,074,793	-	1,074,793
Interest and investment income	195,035	-	195,035
Miscellaneous income	67,555	-	67,555
Net change in unrealized gain on investments	327,025	-	327,025
Assets released from restriction	2,578,604	(2,578,604)	-
Total Revenue and Support	24,753,474	(104,577)	24,648,897
Expenses:			
Program services	18,356,481	-	18,356,481
Fundraising	4,432,494	-	4,432,494
Management and general	2,165,666	-	2,165,666
Total Expenses	24,954,641	-	24,954,641
Change in net assets from operations	(201,167)	(104,577)	(305,744)
Net assets, beginning of year	25,820,881	5,668,869	31,489,750
Net assets, end of year	$ 25,619,714	$ 5,564,292	$ 31,184,006

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

K9s For Warriors, Inc.
Statement of Activities

Year ended December 31, 2023, as restated	Without donor restrictions	With donor restrictions	Total
Revenue and Support:			
Contributions	$ 17,129,027	$ 3,044,441	$ 20,173,468
Contributions in-kind	2,004,945	-	2,004,945
Grants	874,998	-	874,998
Interest and investment income	310,592	-	310,592
Miscellaneous income	146,834	-	146,834
Gain on sale of fixed assets	612,987	-	612,987
Net change in unrealized gain on investments	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
Expenses:			
Program services	18,426,181	-	18,426,181
Fundraising	4,277,579	-	4,277,579
Management and general	2,669,025	-	2,669,025
Total Expenses	25,372,785	-	25,372,785
Change in net assets from operations	(28,742)	(28,966)	(57,708)
Net assets, beginning of year	25,849,623	5,697,835	31,547,458
Net assets, end of year	$ 25,820,881	$ 5,668,869	$ 31,489,750

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

K9s For Warriors, Inc.

Statement of Functional Expenses

Year ended December 31, 2024	Program Services	Fundraising	Management and General	Total
Personnel Costs:				
Salaries	$ 8,946,935	$ 1,245,721	$ 1,161,454	$ 11,354,110
Employee fringe benefits	1,123,697	149,629	58,907	1,332,233
Payroll taxes	668,781	93,222	81,747	843,750
Total Personnel Costs	10,739,413	1,488,572	1,302,108	13,530,093
Non-Personnel Costs:				
Office expenses	193,300	374,644	24,657	592,601
Other operating costs	146,122	172,268	102,205	420,595
Facility and occupancy	940,927	1,415	1,841	944,183
Advertising and marketing	383,736	1,011,146	772	1,395,654
Professional services	93,272	1,127,859	579,716	1,800,847
Travel and transporation	580,518	99,872	36,360	716,750
Insurance	243,260	-	19,688	262,948
Interest expense	281,266	-	-	281,266
Service K9 expense	2,343,990	832	-	2,344,822
Warrior expense	523,081	37	-	523,118
Information technology	913,227	141,535	62,069	1,116,831
Depreciation and amortization	974,369	14,314	36,250	1,024,933
Total Non-Personnel	7,617,068	2,943,922	863,558	11,424,548
Total Expenses	$ 18,356,481	$ 4,432,494	$ 2,165,666	$ 24,954,641

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

K9s For Warriors, Inc.
Statement of Functional Expenses

Year ended December 31, 2023	Program Services	Fundraising	Management and General	Total
Personnel Costs:				
Salaries	$ 8,577,193	$ 1,122,705	$ 1,252,470	$ 10,952,368
Employee fringe benefits	1,157,919	98,351	99,705	1,355,975
Payroll taxes	653,650	84,830	81,130	819,610
Total Personnel Costs	10,388,762	1,305,886	1,433,305	13,127,953
Non-Personnel Costs:				
Office expenses	197,191	215,004	70,530	482,725
Other operating costs	99,187	150,426	223,338	472,951
Facility and occupancy	996,499	20	1,158	997,677
Advertising and marketing	458,192	1,470,109	3,052	1,931,353
Professional services	253,896	993,982	684,164	1,932,042
Travel and transporation	362,455	68,410	38,325	469,190
Insurance	204,722	-	22,137	226,859
Interest expense	678,720	-	-	678,720
Service K9 expense	2,795,714	-	235	2,795,949
Warrior expense	523,264	-	-	523,264
Information technology	646,285	12,769	71,235	730,289
Depreciation and amortization	821,294	60,973	121,546	1,003,813
Total Non-Personnel	8,037,419	2,971,693	1,235,720	12,244,832
Total Expenses	$ 18,426,181	$ 4,277,579	$ 2,669,025	$ 25,372,785

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

K9s For Warriors, Inc.
Statement of Cash Flows

Year ended December 31,	2024	2023
Cash flows from operating activities:		
Change in net assets	$ (305,744)	$ (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	(424,134)	(1,341,614)
Depreciation	915,988	926,305
Amortization of finance lease assets	103,640	77,508
Amortization of operating lease	54,186	-
Write off terminated operating lease	-	176,963
Donated securities	(242,875)	(491,590)
House gifted to warrior	247,230	189,974
Gain on sale of fixed assets	-	(612,987)
In kind contributions	-	(257,369)
Net change in:		
Contributions receivable	(428,335)	(12,171)
Pledges receivable, net	675,130	829,438
Inventory	(133,737)	8,642
Prepaid expense	55,126	(314,806)
Operating lease liability	(52,819)	(176,963)
Accounts payable and accrued expenses	584,693	(576,612)
Net provided by (used in) operating activities	1,048,349	(1,632,990)
Cash flows from investing activities:		
Capital expenditures	(2,026,654)	(339,225)
Proceeds from sale of fixed assets	-	2,290,000
Purchase of investments	(1,761,353)	(6,379,767)
Proceeds from sale of investments	7,648,585	8,049,583
Net cash provided by investing activities	3,860,578	3,620,591
Cash flows from financing activities:		
Net (payments)/advances on line of credit	(6,475,000)	(1,525,000)
Debt issuance costs	(34,242)	-
Proceeds from debt	5,000,000	-
Payments on debt	(74,303)	(860,552)
Payments on finance leases	(102,820)	(67,376)
Net cash used in financing activities	(1,686,365)	(2,452,928)
Net change in cash	3,222,562	(465,327)
Cash at beginning of year	3,490,425	3,955,752
Cash at end of year	$ 6,712,987	$ 3,490,425
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 281,266	$ 678,720

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

1. Nature of Business:

K9s For Warriors, Inc. ("K9s") is a not-for-profit organization (incorporated) founded in 2011. Determined to end Veteran suicide, K9s provides highly-trained Service Dogs to military Veterans suffering from PTSD, traumatic brain injury and/or military sexual trauma. With the majority of dogs being rescues, this innovative program allows the K9/Warrior team to build an unwavering bond that facilitates their collective healing and recovery.

2. Summary of Significant Accounting Policies:

Basis of Accounting

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

Net Asset Presentation

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 – These 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 – These 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 statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of the 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 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.

2. Summary of Significant Accounting Policies (Continued):

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, 2024.

Investments

Investments are reported at their estimated fair values in the 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 statements of activities. The investment portfolio is managed by professional investment advisors and managers in accordance with the Organization's investment policy. Investment advisory and other fees of $46,108 and $85,707 are included in the statement of functional expenses for the years ended December 31, 2024 and 2023, 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.

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 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.

2. Summary of Significant Accounting Policies (Continued):

No impairments were deemed to exist at December 31, 2024 and 2023.

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 and donated dog food and treats. 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

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement 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.

2. Summary of Significant Accounting Policies (Continued):

Contributions in-kind

Contributed in-kind assets are recorded at fair value at the date of donation. See Note 10 for additional disclosure.

Contributed services are recognized and recorded at fair value only to the extent they create and enhance non-financial 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, veterinary services, and information technology. There were contributed services for professional services totaling $137,921 and $282,214 during the years ended December 31, 2024 and 2023, respectively.

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

Grants

Grants are deemed to be nonexchange (nonreciprocal) transactions and fall under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants are on a cost reimbursement basis and require the Organization to incur eligible expenses prior to the release of funds. The Organization reports these grants as changes in net assets without donor restrictions when restrictions are met in the same period. Unexpended amounts received but not yet earned are reported as deferred grants.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative salaries and benefits, which are allocated based on estimates of time and effort by personnel to each program. 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 $15,233 and $14,308 for the years ended December 31, 2024 and 2023, respectively.

Income Taxes

K9s is a not-for-profit organization 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.

2. Summary of Significant Accounting Policies (Continued):

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, 2024 and 2023, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the 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, 2024, the Organization was no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2021. As of and for the year ended December 31, 2024, 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, 2024, 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 $678,720 of interest expense from non-operating activities to operating activities for the year ended December 31, 2023, to enhance clarity and accuracy of financial reporting.

Recent Accounting Pronouncements – Adopted

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 financial statements and primarily resulted in certain new disclosures.

3. Restatement:

During 2024 the Organization identified an error related to tracking restrictions on certain net assets. A net accumulation of $1,904,028 in donor-restricted net assets for dog sponsorships primarily related to activity from years prior to 2023 were not classified as restricted.

As a result, the previously issued financial statements did not accurately reflect the appropriate classification of ending and beginning net assets. The restatement resulted in an increase to net assets with donor restrictions and a decrease to net assets without donor restrictions of $1,904,028 on the statement of financial position as of December 31, 2023. The statement of changes in net assets for the year ended December 31, 2023 was restated, resulting in an increase to beginning net assets with donor restrictions and a decrease to beginning net assets without donor restrictions of $1,904,028.

4. Fair Value Measurements:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements)

The three levels of the fair value hierarchy under FASB Accounting Standards Codification 820, Fair Value Measurement, are described as follows:

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

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for 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)

4. Fair Value Measurements (Continued):

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

December 31, 2024	Cash and cash equivalents	Level 1	Level 2	Total
Corporate bonds	$ -	$ -	$ 568,182	$ 568,182
Municipal bonds	-	-	301,613	301,613
Mutual funds:				
Domestic equity	-	2,270,863	-	2,270,863
Fixed income	-	700,875	-	700,875
International equity	-	828,137	-	828,137
Infrastructure	-	79,280	-	79,280
Commodities	-	48,687	-	48,687
Money market funds	261,539	-	-	261,539
US treasury bonds and notes	-	651,209	-	651,209
Total	$ 261,539	$ 4,579,051	$ 869,795	$ 5,710,385

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

5. Pledges Receivable:

Amounts due from pledges receivable are generated from individual and corporate donors. Pledges receivable totaled $0 and $675,130 during the years ended December 31, 2024 and 2023, respectively.

6. Property and Equipment:

Property and Equipment consisted of the following:

December 31,	2024	2023
Buildings	$ 21,373,315	$ 21,316,234
Land	2,383,829	2,383,830
Vehicles	1,355,692	1,314,640
Land improvements	1,331,095	740,660
Furniture and equipment	1,324,789	1,197,619
Total property and equipment	27,768,720	26,952,983
Less: accumulated depreciation	(4,436,966)	(3,531,116)
Property and equipment, net	$ 23,331,754	$ 23,421,867

Depreciation expense totaled $915,988 and $922,691 for the years ended December 31, 2024 and 2023, respectively.

7. Leases:

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

In May 2024, the Organization entered into operating leases for two modular offices.

Lease expense, depreciation expense relating to finance leased assets, and interest expense relating to finance lease obligations are recognized within the statement of income is as follows:

Year ended December 31,	2024	2023
Finance lease expense		
Amortization of finance lease assets	$ 108,171	$ 77,508
Interest on lease liabilities	16,032	13,372
Operating lease expense	61,732	-
Short term lease expense	10,948	128,082
Total lease expense	$ 196,883	$ 218,962

7. Leases (Continued):

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:

December 31,	2024	2023
Weighted-average remaining lease term in years		
Finance leases	3.63	3.96
Operating leases	1.37	-
Weighted average-discount rate		
Finances leases	4.09%	3.94%
Operating leases	4.85%	0.00%

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,	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 16,314	$ 12,230
Financing cash flows from finance leases	102,820	67,376
Operating cash flows from operating leases	52,819	-
Finance lease assets obtained for new lease liabilities	197,628	419,801
Operating lease assets obtained for new lease liabilities	165,414	-

Years ending December 31,	Finance leases	Operating leases
2025	$ 142,014	$ 90,547
2026	137,764	30,182
2027	118,959	-
2028	59,826	-
2029	22,176	-
Total lease payments	480,739	120,729
Less: interest	(33,787)	(3,574)
Present value of lease liabilities	$ 446,952	$ 117,155

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.

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. As of December 31, 2024, there was no balance on the line of credit. The LOC Note was subsequently renewed, extending the maturity date to April 8, 2026. All other terms remained substantially unchanged. The Organization's line of credit agreement is subject to certain financial and non-financial covenants. The Organization monitors compliance with these covenants on an ongoing basis.

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).

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. The mortgage is secured by the Organization's Warrior Ranch in Helotes, Texas (estimated carrying value: $1,332,000). Additionally, the lender recorded an "Abundance of Caution" lien against the Shari Duval National Headquarters and the Davis Family Mega Kennel (estimated carrying value of $6,610,000 and $11,300,000, respectively). The mortgage is also subject to specific financial and non-financial covenants. The Organization evaluates compliance with these requirements regularly to ensure adherence. Maturities of mortgage payable is as follows:

9. Debt (Continued):

Years ending December 31,		
2025	$	132,290
2026		141,034
2027		149,892
2028		159,933
2029		170,836
Thereafter		4,171,711
Debt Issuance Cost		(34,243)
Total	$	4,891,453

10. Contributions In-Kind:

The Organization received the following non-cash contributions:

Years ended December 31,		2024		2023
Goods and services	$	946,968	$	1,255,043
Stock donations		242,875		491,590
Gift cards		-		943
Building		14,884		257,369
Furniture & Fixtures		11,250		-
Land Improvements		72,089		-
Total in-kind contributions	$	1,288,066	$	2,004,945

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 as follows:

December 31,		2024		2023, *as restated*
Capital campaigns	$	2,000,000	$	2,005,000
Dog sponsorships		3,564,292		3,663,868
Total net assets with donor restrictions	$	5,564,292	$	5,668,868

These donor restrictions are purpose-based. Dog sponsorship contributions are restricted until the sponsored dog has graduated and been placed with a warrior. This release trigger reflects the fulfillment of the donor's intended purpose: while the sponsorship does not constitute a reciprocal transaction (i.e., the donor does not receive commensurate value in return), the ability to name a dog is considered a symbolic benefit tied to the dog's successful graduation and placement. The restriction is therefore released once the organization has honored the donor's intent by completing the sponsorship journey from naming to placement.

11. Net Assets (Continued):

Capital campaigns include a $1.5 million pledge restricted for the construction of a veterinary clinic and a $500,000 pledge restricted for the construction of Mega Kennel A. These restrictions will be released upon completion of the respective facilities. As of December 31, 2023, there were related pledge receivables outstanding of $675,130. These were collected during 2024.

Net assets were released from restrictions as follows:

Years ended December 31,		2024		2023
Capital campaigns	$	5,000	$	480,000
Miscellaneous equipment		-		32,500
Dogs sponsor graduations		2,573,604		2,560,907
Total released	$	2,578,604	$	3,073,407

Net Assets without Donor Restrictions

At December 31, 2024 and 2023, 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:

December 31,		2024		2023
Financial assets:				
Investments	$	5,710,385	$	10,930,608
Cash		6,712,987		3,490,425
Contributions receivable		516,866		88,531
Pledges receivable		-		675,130
Total financial assets available within one year	$	12,940,238	$	15,184,694

13. Related Party Transactions:

During 2023, K9s incurred expenses of $162,500 to Overbrook Ventures, LLC for consulting services provided to the Board. Overbrook Ventures, LLC is wholly owned by a former Chief Executive Officer (“CEO”) of K9s.

In 2024, K9s incurred expenses of $15,000 to Attract Research and Marketing, LLC for advertising and consulting services. This entity is wholly owned by a former CEO of K9s.

Additionally, during 2024, the Organization contracted directly with a former CEO to provide advisory consulting services during the CEO transition period. The total amount paid under this agreement was $50,000. All transactions were reviewed and approved by the Board of Directors and were determined to be fair, reasonable, and in the best interests of the Organization.

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, 2024 and 2023 were $136,812 and $204,387, 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, 2024 and 2023, the Organization had approximately $4.9 million and $2.2 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 financial position, liquidity, or results of operations.

17. Subsequent Events:

On April 17, 2025, the organization approved a construction contract for a new kennel facility totaling $2,833,800.

As of July 2025, the Organization terminated its lease agreement with the City of San Antonio for the property previously used as a kennel facility. In connection with the termination, the City purchased the building and related improvements for $2 million. The facility is no longer in use and the Organization has ceased operations at that location.

The Organization's line of credit, discussed in Note 8, was also renewed through April 8, 2026.

Management has evaluated subsequent events through July 18, 2025, the date the financial statements were available to be issued and has determined that, except as disclosed above, there were no material events requiring recognition or disclosure.