

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

WARRIOR CANINE CONNECTION, INC.

DECEMBER 31, 2012

WARRIOR CANINE CONNECTION, INC.

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2012

CONTENTS

INDEPENDENT AUDITORS' REPORT	2-3
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
STATEMENT OF FUNCTIONAL EXPENSES	7
NOTES TO FINANCIAL STATEMENTS	8-13

INDEPENDENT AUDITORS' REPORT

Board of Directors
Warrior Canine Connection, Inc.

We have audited the accompanying financial statements of Warrior Canine Connection, Inc., which comprises the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Warrior Canine Connection, Inc., as of December 31, 2012 and the results of its operations, changes in net assets, and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

David J. Ardoin, P.C.

Germantown, Maryland

May 7, 2013, except for Note A and Note G as to which the date is July 7, 2017

WARRIOR CANINE CONNECTION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	351,939
Certificate of deposit		10,037
Prepaid expenses		3,229

TOTAL CURRENT ASSETS 365,205

FIXED ASSETS

Land Improvements		5,820
Furniture, fixtures, and equipment		13,630
Accumulated depreciation		(2,416)

TOTAL FIXED ASSETS 17,034

OTHER ASSETS

Deposits		5,790
----------	--	-------

TOTAL ASSETS \$ 388,029

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	16,991
---------------------------------------	----	--------

TOTAL CURRENT LIABILITIES 16,991

NET ASSETS

Unrestricted		358,412
Temporarily restricted		12,626

TOTAL NET ASSETS 371,038

TOTAL LIABILITIES AND NET ASSETS \$ 388,029

The Accompanying Notes are an Integral Part of These Statements

WARRIOR CANINE CONNECTION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
PUBLIC SUPPORT			
General contributions	\$ 218,454	\$ -	\$ 218,454
In-kind contributions	183,877	-	183,877
Foundation and trust grants	192,430	12,626	205,056
Nonprofit organization grants	30,000	-	30,000
TOTAL PUBLIC SUPPORT	<u>624,761</u>	<u>12,626</u>	<u>637,387</u>
REVENUE			
Special events	2,000	-	2,000
Investment Income	37	-	37
TOTAL REVENUE	<u>2,037</u>	<u>-</u>	<u>2,037</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>626,798</u>	<u>12,626</u>	<u>639,424</u>
EXPENSES			
PROGRAM SERVICES	<u>366,200</u>	<u>-</u>	<u>366,200</u>
SUPPORTING EXPENSES			
Management and General	24,432	-	24,432
Fundraising	37,683	-	37,683
TOTAL SUPPORTING EXPENSES	<u>62,115</u>	<u>-</u>	<u>62,115</u>
TOTAL EXPENSES	<u>428,315</u>	<u>-</u>	<u>428,315</u>
CHANGE IN NET ASSETS	198,483	12,626	211,109
NET ASSETS, BEGINNING OF YEAR	<u>159,929</u>	<u>-</u>	<u>159,929</u>
NET ASSETS, END OF YEAR	<u>\$ 358,412</u>	<u>\$ 12,626</u>	<u>\$ 371,038</u>

The Accompanying Notes are an Integral Part of These Statements

WARRIOR CANINE CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	SUPPORTING SERVICES			TOTAL
	PROGRAM SERVICES	MANAGE. & GENL.	FUND- RAISING	
Salaries	\$ 212,270	\$ 13,454	\$ 15,738	\$ 241,462
Payroll taxes	5,581	2,148	858	8,587
Fringe benefits	8,562	957	957	10,476
TOTAL	226,413	16,559	17,553	260,525
Bank and paypal fees	-	176	777	953
Marketing and advertising	-	-	9,183	9,183
Depreciation	1,278	425	425	2,128
Vehicle fuel, maintenance	667	-	-	667
Vet care	20,580	-	-	20,580
Dog food and supplies	15,115	-	-	15,115
Dog care, breeding, acquisition	7,446	-	-	7,446
Scholarships	3,500	-	-	3,500
Miscellaneous	3,360	65	111	3,536
Insurance	2,170	507	507	3,184
Occupancy	44,238	-	-	44,238
Registration and filing fees	2,284	-	-	2,284
Postage, fax, office	76	3,414	891	4,381
Stationery, cards, printing	250	31	31	312
Professional services				
Legal and consulting	3,055	382	382	3,819
Bookkeeping	3,528	441	441	4,410
Accounting & Audit	8,360	1,045	1,045	10,450
Computer expense	218	86	131	435
Cleaning contract	4,837	-	-	4,837
WCC clothing	769	-	192	961
Website management	66	49	49	164
Payroll charges	1,121	140	140	1,401
Telephone & internet	5,645	-	1,411	7,056
Special events	2,433	-	2,414	4,847
Command challenge coins	1,740	-	-	1,740
Travel, meals & lodging	6,770	1,112	2,000	9,882
Building repair and maintenance	281	-	-	281
Total	139,787	7,873	20,130	167,790
Total expenses	\$ 366,200	\$ 24,432	\$ 37,683	\$ 428,315
	<u>86%</u>	<u>6%</u>	<u>9%</u>	<u>100%</u>

The Accompanying Notes are an Integral Part of These Statements

WARRIOR CANINE CONNECTION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets \$ 211,109

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Depreciation expense	2,128
Earnings from certificate of deposit	(37)
Increase in prepaid expenses	(2,229)
Increase in account payable and accrued expenses	6,954
	6,954

NET CASH PROVIDED BY OPERATING ACTIVITIES **217,925**

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(9,253)
Purchase of certificate of deposit	(10,000)
	(19,253)

NET CASH USED IN INVESTING ACTIVITIES **(19,253)**

NET INCREASE IN CASH AND CASH EQUIVALENTS **198,672**

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR **153,267**

CASH AND CASH EQUIVALENTS, END OF YEAR **\$ 351,939**

The Accompanying Notes are an Integral Part of These Statements

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Warrior Canine Connection, Inc. has been organized exclusively as a charitable and educational organization to provide service members and veterans with post-traumatic stress (PTS) and traumatic brain injuries (TBI) with a continuing mission to support their fellow warriors through the training of mobility services dogs. WCC's training method offers a safe, effective and inexpensive therapeutic intervention that remediates the core-symptoms of PTS and TBI and produces well trained services dogs that will be partnered at no cost with disabled combat veterans. The Organization was incorporated July 27, 2011 as a nonstock corporation under the Maryland General Corporation Law and is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code of 1986 pursuant to a determination letter issued on October 13, 2011.

Basis of presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Organization presents information regarding its financial position and activities according to three classes of net assets described as follows:

Unrestricted – All resources over which the governing board has discretionary control. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily restricted net assets – Resources accumulated through donations or grants for specific operating or capital purposes. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.

Permanently restricted net assets – Resources accumulated through donations or grants that are subject to a restriction. These net assets include the original value of the gift, plus any subsequent additions.

There were no permanently restricted net assets as of December 31, 2012. Temporarily restricted net assets were \$12,626 at December 31, 2012.

Fair value – For cash, short-term investments and payables, the carrying amount is a reasonable estimate of fair value. Investments are carried at market value, which approximates fair value. See Note 4 for additional information regarding the valuation of the Organization's investments.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents – For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fixed assets – Land improvements, and furniture and fixtures are recorded at cost. Depreciation is provided on the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Life</u>
Land improvements	20 years
Furniture and fixtures	7-10 years

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Contributions may include actual gifts or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value on the date of the gift. Restricted gifts or promises to give are required to be reported as restricted support in the period received and are then reclassified to unrestricted net assets upon satisfaction of the donor restriction. In addition, contributed services using specialized skills that would have been required to be purchased if not provided by donation are also recognized.

Fair value measurements – ASC 820, Fair Value Measurements and Disclosures, establishes 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 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- 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.

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continuation) - Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value.

Mutual funds are valued at the net asset value (NAV) of shares held at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) and is a publicly supported organization under Section 509(a)(2) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in the financial statements.

Accounting for Uncertainty in Income Taxes – The Organization accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. It is management’s belief that the Organization does not hold any uncertain tax positions. The Organization is not currently under examination by any taxing jurisdiction. The Organization’s Federal tax returns are generally open for examination for three years following the date filed.

Subsequent events – The Organization has evaluated subsequent events through May 7, 2013, which is the date the financial statements were available to be issued.

Contributed services, goods and facilities – The Organization’s executive and administrative directors’ salaries are funded indirectly through a personal employment contract between the executive and administrative directors and SAGE Consulting, Inc. The contracts with SAGE are solely for the purpose of carrying out the mission of the Organization. The amount of salaries reported by the Organization as an in-kind contribution and as expense for the year ended December 31, 2012 was \$136,000. The SAGE contract reimburses the executive director for occupancy and utility expenses for the facility which houses the Organization offices and canine program. The amount of rent and utilities reported as an in-kind contribution and as expense for the year ended December 31, 2012 was \$44,238.

The Organization also received various gifts of dog related goods and supplies which are used in its canine program. Management estimates the value of these items to be \$3,639 and is reported as an in kind contribution and expense.

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed services, goods and facilities (continued) – Management believes that these estimates of such expenditures provide a reasonable basis for recording off-setting in kind contributions and expenses. The recording of in-kind contributions and donations has no net impact on the reported change in net assets.

NOTE B - FINANCIAL INSTRUMENTS

Financial instruments which potentially subject the Organization to concentration of credit risk consist of temporary cash investments. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, cash balances of the Organization were fully insured. The Organization's temporary cash investments are held with high credit quality financial institutions and management believes there is no significant concentration of credit risk.

NOTE C – PROGRAM DESCRIPTIONS

Warrior Canine Connections (WCC) began providing its service dog training therapy program for Post-traumatic Stress (PTS) and Traumatic Brain Injuries (TBI) at the National Intrepid Center of Excellence (NICOE) at Walter Reed National Military Medical Center (WRNMMC) in Bethesda, MD in October 2011. Field trips were also arranged for cohorts of NICOE patients to WCC's Healing Quarters in Brookeville, MD.

In addition to NICOE patients, in 2012 WCC provided its service dog training therapy program to patients in the WRNMMC specialized care program (SCP) and recovering Warriors at the NeuroRestorative National Capitol facility in Germantown, MD. WCC dogs also worked with 187 Soldiers in the Warrior Transition Units at WRNMMC and Fort Belvoir, VA

Warrior Canine Connection staff members were involved in meetings with research officials at the National Intrepid Center of Excellence (NICOE), the Department of Defense (DOD), the Department of Veterans Affairs (VA), the Uniformed Services University of the Health Sciences (USUHS), the National Institutes of Health (NIH), several universities, private corporations and other non-profits in an effort to encourage collaboration and advance research related to animal assisted therapies. WCC staff developed research studies on the service dog training therapy program in conjunction with NICOE research officials and published an article in the Army Medical Journal (AMEDD).

During 2012, WCC staff presented service dog training as therapeutic intervention for PTS and TBI to several hundred military and civilian leaders in meetings and in conjunction with tours of the NICOE. Additionally, WCC staff provided patients and staff members with information on the use of service dogs for physical and psychological disabilities and the care and training of service dogs. WCC's executive director also participated on a subcommittee of Assistance Dogs International to develop standards for service dogs for psychiatric disabilities. WCC was featured in numerous media stories in 2012, as well as on military and Veteran related websites.

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE C – PROGRAM DESCRIPTIONS (CONTINUED)

During 2012, WCC staff presented service dog training as therapeutic intervention for PTS and TBI to several hundred military and civilian leaders in meetings and in conjunction with tours of the NICoE. Additionally, WCC staff provided patients and staff members with information on the use of service dogs for physical and psychological disabilities and the care and training of service dogs. WCC's executive director also participated on a subcommittee of Assistance Dogs International to develop standards for service dogs for psychiatric disabilities. WCC was featured in numerous media stories in 2012, as well as on military and Veteran related websites

WCC initiated a dog breeding program in the fall of 2011 to produce healthy golden and Labrador retrievers with suitable temperaments for service dog work. WCC's first litter of black Labrador puppies was born in December 2011. Wounded Warriors from NICoE and WRNMMC were involved in the early socialization of these future service dogs for disabled combat veterans in the medical facilities and at the WCC Brookeville HQ. WCC's second litter was born in June 2012 and included six golden retriever puppies. "Holly's Half Dozen" were featured on a puppy cam that was viewed by millions of people around the world, providing WCC with an outstanding educational opportunity to share information about the breeding, care, therapeutic training, and benefits of service dogs to Wounded Warriors. A WCC dog must be approximately two years old and meet industry training standards to be eligible to be placed with a disabled combat veteran. Since WCC was created in 2011, the first program dogs are expected to be partnered with disabled veterans in 2013.

NOTE D – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing program and supporting services has been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and the supporting services benefited. The allocation was made on the basis of an analysis made by management.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of a donation from the "People Animals Love" organization, which has a balance of \$12,626 at December 31, 2012. This balance represents contributions made to help connect a traumatized veteran recover from his anguish by caring for and training a service dog.

NOTE F – CONCENTRATION OF CONTRIBUTIONS

Contributions from three donors represented \$258,317 or 40% of contributions and grants for the year ended December 31, 2012.

WARRIOR CANINE CONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

NOTE G – HEADQUARTERS FACILITY

The Organization headquarters are located at a residential facility in Brookeville, Maryland, which is a historic property owned by the Maryland Department of Natural Resources (DNR). The DNR had entered into a lease dated from 1992 with an independent caretaker who was responsible for maintaining the property while he resided there. The caretaker subleased the property to the executive director, personally, for a period beginning December 2010 through July 2012 at a rate of \$2,894 per month plus utilities. Under a personal employment contract with SAGE Consulting, the executive director was reimbursed \$44,238 for monthly rent and utility expenses. After WCC was formed in July 2011, with Board approval, the Organization used this facility for program headquarters and training. The Organization recognized in-kind gift revenue and rental expenses of \$44,238 for the year ended December 31, 2012.