

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**WARRIOR CANINE CONNECTION, INC.**

**DECEMBER 31, 2016**

**WARRIOR CANINE CONNECTION, INC.**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2016**

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**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, 2016, 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, 2016, and the changes in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*David J. Ardoin, P.C.*

Germantown, Maryland

September 22, 2017, except for Note H and Note I as to which is November 14, 2017

**WARRIOR CANINE CONNECTION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2016

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,154,383
Certificate of deposit	10,196
Escrow - paypal	54,984
Accounts receivable	333,641
Prepaid expenses	15,937
Inventory	4,131

**TOTAL CURRENT ASSETS** 2,573,272

**FIXED ASSETS**

Transportation equipment	32,426
Furniture, fixtures, and equipment	119,924
Leasehold improvements-Schaffer Rd	937,816
	<u>1,090,166</u>
Accumulated depreciation	(63,801)

**TOTAL FIXED ASSETS** 1,026,365

**OTHER ASSETS**

Deposits	11,690
Amortizable assets, net of amortization	18,513
Construction in progress	53,606
	<u>83,809</u>

**TOTAL OTHER ASSETS**

**TOTAL ASSETS** \$ 3,683,446

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ <u>81,071</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>81,071</u>

**NET ASSETS**

Unrestricted	2,965,856
Temporarily restricted	636,519
<b>TOTAL NET ASSETS</b>	<u>3,602,375</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,683,446

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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
General contributions	\$ 1,626,738	\$ 605,000	\$ 2,231,738
In-kind contributions	186,156	-	186,156
United Way CFC	47,762	-	47,762
Contract income	789,421	-	789,421
Special events (net of expenses)	5,730	-	5,730
Investment income	26	-	26
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>2,655,833</u>	<u>605,000</u>	<u>3,260,833</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>469,984</u>	<u>(469,984)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>3,125,817</u>	<u>135,016</u>	<u>3,260,833</u>
 <b>EXPENSES</b>			
<b>PROGRAM SERVICES</b>	<u>2,121,919</u>	<u>-</u>	<u>2,121,919</u>
<b>SUPPORTING EXPENSES</b>			
Management and General	174,245	-	174,245
Fundraising	165,711	-	165,711
<b>TOTAL SUPPORTING EXPENSES</b>	<u>339,956</u>	<u>-</u>	<u>339,956</u>
<b>TOTAL EXPENSES</b>	<u>2,461,875</u>	<u>-</u>	<u>2,461,875</u>
<b>CHANGE IN NET ASSETS</b>	<u>663,942</u>	<u>135,016</u>	<u>798,958</u>
 <b>NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY STATED</b>	<u>2,278,752</u>	<u>501,503</u>	<u>2,780,255</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>23,162</u>	<u>-</u>	<u>23,162</u>
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED</b>	<u>2,301,914</u>	<u>501,503</u>	<u>2,803,417</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,965,856</u>	<u>\$ 636,519</u>	<u>\$ 3,602,375</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, 2016**

	SUPPORTING SERVICES			TOTAL
	PROGRAM SERVICES	MANAGE. & GENL.	FUND- RAISING	
Salaries	\$ 1,415,230	\$ 133,198	\$ 116,548	\$ 1,664,976
Payroll taxes	126,656	11,921	10,430	149,007
Fringe benefits	66,498	6,259	5,476	78,233
<b>Total</b>	<b>1,608,384</b>	<b>151,378</b>	<b>132,454</b>	<b>1,892,216</b>
Bank, payroll and paypal fees	-	2,843	8,530	11,373
Marketing and advertising	2,002	-	844	2,846
Depreciation and amortization	36,085	3,280	1,640	41,005
Vehicle fuel, maintenance	3,296	-	-	3,296
Vet care	72,854	-	-	72,854
Dog food and supplies	64,692	-	-	64,692
Dog care, breeding, acquisition	8,494	-	-	8,494
Miscellaneous	488	21	-	509
Insurance	6,719	1,014	469	8,202
Occupancy	44,605	1,933	33	46,571
Utilities	13,754	596	10	14,360
Registration and filing fees	1,193	-	3,580	4,773
Postage, fax, office, delivery	8,698	1,672	3,383	13,753
Stationery, cards, printing	2,096	-	884	2,980
Dues, subscriptions, publications	10,517	-	456	10,973
Professional services		-	-	
Legal	9,195	959	846	11,000
Consulting	48,500	5,060	4,462	58,022
Accounting & audit	28,271	2,949	2,601	33,821
Computer expense	74	14	29	117
Seminars and training	6,319	-	274	6,593
Business development	3,203	-	139	3,342
Telephone & internet	7,803	918	459	9,180
Graduation expenses	53,929	-	-	53,929
Travel, meals & lodging	43,639	-	4,591	48,230
Grounds maintenance	18,684	810	14	19,508
Building repair and maintenance	18,425	798	13	19,236
<b>Total</b>	<b>513,535</b>	<b>22,867</b>	<b>33,257</b>	<b>569,659</b>
<b>Total expenses</b>	<b>\$ 2,121,919</b>	<b>\$ 174,245</b>	<b>\$ 165,711</b>	<b>\$ 2,461,875</b>
	<u>86%</u>	<u>7%</u>	<u>7%</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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in net assets \$ 798,958

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

Depreciation and amortization expense 41,005

In-kind contributions (88,702)

Earnings from certificate of deposit (27)

Increase in escrow-paypal (54,984)

Decrease in accounts receivable 109,046

Increase in prepaid expenses (6,114)

Decrease in inventory 2,550

Increase in account payable and accrued expenses 20,980

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 822,712

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of deposits (2,500)

Purchase of fixed assets (49,623)

Purchase of amortizable assets (7,500)

Purchase of construction in progress (238,181)

**NET CASH USED IN INVESTING ACTIVITIES** (297,804)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** 524,908

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 1,629,475

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 2,154,383

**NON-CASH INVESTING ACTIVITY:**

Acquisition of construction in progress donated to organization \$ 88,702

The Accompanying Notes are an Integral Part of These Statements



# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 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 non-stock 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, 2016. Temporarily restricted net assets were \$636,519 at December 31, 2016.

**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 A 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, 2016

### 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>
Leasehold improvements	25 years
Transportation equipment	7 years
Furniture, fixtures and equipment	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, 2016

### 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.

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 September 22, 2017, which is the date the financial statements were available to be issued.

**Contributed services, goods and facilities** – the Organization 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 \$48,047 and is reported as canine supply expense. The Organization also received gifts related to the puppy graduation event and management has estimated the value of those items to be \$47,810 and those are report as graduation event expenses. The Organization also received 6 office for Mac licenses related to new laptop computers which it estimates the value of those licenses to be \$3,528 and are capitalized as fixed assets. The Organization also received donated materials and services for the new facility in Boyds, Maryland which it estimates the value to be \$60,433 and are capitalized as construction in progress. The total in-kind contributions reported on the statement of activities for the year ended December 31, 2016 was \$186,156.

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.

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### 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, 2016, 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 – FIXED ASSETS

The fixed assets for the year ended December 31, 2016 consisted of the following:

Transportation equipment	\$ <u>32,426</u>
Furniture, fixtures, equipment	<u>119,924</u>
Leasehold improvements – Schaeffer Rd	
Land improvements	29,496
Leasehold improvements – other	55,018
Caretakers house	548,939
Basement office	75,572
Garage PEC	103,626
Welcome center	71,625
Common area	<u>53,540</u>
Total Schaeffer Rd	<u>937,816</u>
Total	1,090,166
Accumulated depreciation	<u>(63,801)</u>
Fixed Assets, net of accumulated depreciation.	<u>\$ 1,026,365</u>

Depreciation expense for the year ended December 31, 2016 was \$36,445.

### NOTE D – PROGRAM DESCRIPTIONS

In 2015, Warrior Canine Connections (WCC) provided its service dog training therapy program for Post Traumatic Stress (PTS) and Traumatic Brain Injuries (TBI) to wounded Warriors in treatment at the National Intrepid Center of Excellence (NICoE) at Walter Reed National Military Medical Center (WRNMMC) in Bethesda, MD. WCC also served patients in the Behavioral Health and Brain Injury Treatment Programs at WRNMMC. 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. Additionally, WCC dogs worked with Soldiers in the Warrior Transition Units at WRNMMC and Fort Belvoir, VA. Field trips were also arranged for NICoE and WRNMMC patients to WCC's Healing Quarters in Boyds, MD. During 2016, WCC staff presented service dog training as a therapeutic intervention for PTS and TBI to several hundred military and civilian leaders in meetings and in conjunction with tours of the NICoE and WRNMMC. WCC staff and Warrior Trainers also presented

# **WARRIOR CANINE CONNECTION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

### **NOTE D – PROGRAM DESCRIPTIONS (CONTINUED)**

the WCC Mission Based Trauma Recovery (MBTR) Program to Navy Reservists at returning Warrior workshops around the country.

The WCC West Coast program operates out of the “Welcome Center” on the campus of the VA Medical Center in Menlo Park, CA. In 2016, WCC staff provided service dog training therapy services to numerous programs at the Menlo Park VA and the nearby Palo Alto VA ranging from acute in-patient Poly-trauma to out-patient mental health.

The WCC therapeutic service dog training program relies on the availability of Golden and Labrador Retriever puppies, purpose bred for health and temperament for service dog work. Two litters of puppies (17 puppies) were bred by the WCC Dog Program Director and raised at the WCC Puppy Enrichment Center until they were ready to be placed in the homes of volunteer Puppy Foster Parents. Eight puppies were also donated by breeders known to produce dogs suitable for the WCC program. Recovering Warriors from NICOE and WRNMMC and civilian volunteers 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 puppies 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. The fourth graduation of WCC dogs took place in October 2016. Eleven dogs were placed in support of combat Veterans with disabilities and their families.

WCC is collaborating with WRNMMC, the Uniformed Services University of the Health Sciences (USUHS) and civilian academic experts on research associated with the neurobiology of the human-animal bond and the treatment of PTSD. The protocol for the study was approved and subject recruitment began in late 2014. A larger research study to evaluate the efficacy of service dog training as an adjunctive treatment for PTSD and TBI and to maximize the therapeutic benefits to recovering Warriors who participate in the program was initiated with these collaborative partners in 2014, and is in the Institutional Review Board process.

### **NOTE E – 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 F – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of the following:

Donation from the Bob and Renee Parsons Foundation for 850,000, received in 2014, of which \$448,497 was released during the year ended December 31, 2015 and \$291,988 was released in 2016. The

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### NOTE F – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

restricted balance of the Parson donation as of December 31, 2016 is \$109,515. The Bob and Renee Parsons Foundation contribution is restricted for the new headquarters facility in Boyds, Maryland.

Donation from The Bob Woodruff Foundation for \$25,000 received in 2016, none of which was released in 2016. The restricted balance of the Woodruff donation as of December 31, 2016 is \$25,000. The Bob Woodruff Foundation contribution is restricted for the development of a comprehensive business plan detailing steps needed to implement the WCC Veterans Treatment Court in California.

Donation from the Schultz Family Foundation for \$225,000 received in 2016, of which \$77,996 was released in 2016. The restricted balance of the Schultz donation as of December 31, 2016 is \$147,004. The Schultz Family Foundation contribution was restricted to the support the development and operation of the internship program as well as to offset salaries and cost-of-living stipends for eight interns over two years.

Donation from the Disabled American Veterans for \$100,000 received in 2015 of which \$-0- was released in 2015 and \$100,000 was released in 2016. The restricted balance of the Disabled American Veterans donation as of December 31, 2016 is \$-0-. The Disabled American Veterans contribution is restricted for the sponsorship of six dogs in training.

Donation from Navient for \$250,000 received in 2016 of which \$-0- was released in 2016. The restricted balance of the Navient donation as of December 31, 2016 is \$250,000. The Navient contribution is restricted for critical operational and administrative functions that support the MBTR therapy program, and training and placement of service dogs with wounded Veterans.

Donation from Sheriff Ric & Dorothy Bradshaw for \$5,000 received in 2016 of which \$-0- was released in 2016. The restricted balance of the Sheriff Ric & Dorothy Bradshaw donation as of December 31, 2016 is \$5,000. The Sheriff Ric & Dorothy Bradshaw contribution is restricted for the Healing Headquarters Capital Construction Campaign.

Donation from Dan D’Aniello for \$100,000 received in 2016 of which \$-0- was released in 2016. The restricted balance of the Dan D’Aniello donation as of December 31, 2016 is \$100,000. The Dan D’Aniello contribution is restricted for the Healing Headquarters Capital Construction Campaign.

<u>Description</u>	<u>Net Assets at 1/01/16</u>	<u>Public Support and Revenue</u>	<u>Net Assets Released</u>	<u>Net Assets at 12/31/16</u>
Bob and Renee Parsons Foundation	\$ 401,503	\$ -	\$ (291,988)	\$ 109,515
Bob Woodruff Foundation	-	25,000	-	25,000
Schultz Family Foundation	-	225,000	(77,996)	147,004
Disabled American Veterans	100,000	-	(100,000)	-
Navient	-	250,000	-	250,000
Sheriff Mc & Dorothy Bradshaw	-	5,000	-	5,000
Dan Daniello	-	100,000	-	100,000
Totals	<u>\$ 501,503</u>	<u>\$605,000</u>	<u>\$ (469,984)</u>	<u>\$ 636,519</u>

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### NOTE G – CONCENTRATION OF CONTRIBUTIONS

Contributions from six donors represented \$1,027,800 or 46 % of contributions and grants for the year ended December 31, 2016.

### NOTE H- NEW HEADQUARTERS FACILITY

The Organization reached an agreement with the State of Maryland and entered into a lease of state parkland for therapeutic service dog training for Veterans. The lease is for a location at the Schaeffer Farm area of Seneca Creek State Park in Boyds, Maryland. This location will house the new headquarters of the Organization and help expand its mission and enable it to continue to operate in a Maryland State Park that offers a peaceful environment to support the healing process for Veterans. The new location will enable the Organization to add an "apprentice service dog training" program and offer art and music therapy, as well as acupuncture and eventually add equine therapy and therapeutic farming and gardening. The area within Schaeffer Farm offers a tranquil restorative setting close to Walter Reed National Military Medical Center, providing the ideal location for Veterans to prepare to transition back into civilian and family life. The lease is for twenty five years and the fixed annual rent payable is \$1 per year for years 1 through 10 (\$10 was paid at the signing of the lease to pay the rent for the first 10 years); \$18,000 per year for years 11 through 15; \$24,000 per year for years 16 through 20 and \$30,000 per year for years 21 through 25. The Organization is currently renegotiating with DNR to extend the lease term. The Organization estimates the cost of renovations and new structures in planning to be \$8,400,000 which will be funded through charitable contributions and in-kind services. Total costs incurred through the year ended December 31, 2016 were \$1,028,298 which includes in-kind contribution of materials and services of \$139,408.

The Organization also entered into a five-year lease effective April 15, 2015 with the DNR for additional acreage to provide an environmental buffer between the Organization and adjacent farming operations. The rent is fixed at \$3,660 per year payable annually on April 1<sup>st</sup>.

The Organization also entered into a third lease effective June 24, 2016 with the State of Maryland, Department of Natural Resources relating a residential living building located on Darnestown Road in Germantown, Maryland. The building will be used primarily for housing interns that will be working at the new headquarters facility. The lease is on a month to month basis beginning July 1, 2016 at a monthly fixed rent of \$2,500.

Rent expense charged to operations for the year ended December 31, 2016 was \$46,571.

The minimum lease commitments are as follows:

Year ending	2017	\$ 3,661
	2018	3,661
	2019	3,661
	2020	3,661
	2021	3,661

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

### NOTE I – OLD HEADQUARTERS FACILITY

In August 2016, the Organization moved its headquarters from Brookeville, Maryland, to the new facility in Boyds, Maryland. The Brookeville property was originally subleased by the Executive Director in 2010. Rent expense of \$27,911 was incurred during 2016 for this property.

From 2011 through mid 2014, as part of a federal government service contract between Sage Consulting (Sage) and the Executive Director, Sage paid salaries of the Executive Director and others. Sage also reimbursed the rent on the Brookeville property to the Executive Director who paid the rent during that time. These amounts were reported, annually, as a gift in kind to WCC from Sage and as an offsetting rent deduction for WCC. When the Sage Consulting contract concluded in June 2014, with Board approval WCC assumed the financial responsibility for providing the services and rent payments and so reimbursed the Executive Director and recorded \$27,911 as rental expenditures for January through August, 2016, when operations were moved to the new facility.

### NOTE J – RETIREMENT PLAN

Effective January 1, 2015 the Organization participates in a contributory defined contribution retirement plan. All full time employees are eligible to participate in the plan. Employees who elect to participate may contribute any amount of their annual salary. The Organization matches employee contributions up to 5% of the participant's annual salary. The Organization made matching contributions of \$14,234 to the plan for the year ended December 31, 2016.

### NOTE K – PRIOR PERIOD ADJUSTMENT

Management discovered during the year ended December 31, 2016 that a transportation vehicle was not recorded on the books. The vehicle was received as a gift in January 2014 with a value of \$32,426. Depreciation for the years 2014 and 2015 amounted to \$9,264. Therefore a prior period adjustment has been recorded for the year ended December 31, 2016 in the amount of \$23,162. Fixed assets has been increased in the amount of \$32,426, accumulated depreciation increased in the amount of \$9,264 and retained earnings increased in the amount of \$23,162.