



**Warrior  
Canine  
Connection**

## **Financial Statements**

*For the Year Ended June 30, 2019*

*(With Summarized Financial Information for the Year Ended June 30, 2018)*



**and  
Report Thereon**



**WARRIOR CANINE CONNECTION, INC.**

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**For the Year Ended June 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Warrior Canine Connection, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Warrior Canine Connection, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses 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.

### ***Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the 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.

Continued

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## **Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Warrior Canine Connection, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Summarized Comparative Information*

The Organization's 2018 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP and whose report dated October 19, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Emphasis of Matter – Adoption of New Accounting Standard*

As discussed in Note 11 to the financial statements, the Organization has restated its balances of net assets to reflect the implementation of Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Marcum LLP*

Washington, DC  
December 10, 2019

**WARRIOR CANINE CONNECTION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2019**  
**(With Summarized Financial Information as of June 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash	\$ 2,647,326	\$ 2,232,920
Contributions and contracts receivable	1,872,029	627,964
Prepaid expenses	11,399	12,062
Inventory	10,197	12,969
Property and equipment, net	2,288,732	2,123,009
<b>TOTAL ASSETS</b>	<b>\$ 6,829,683</b>	<b>\$ 5,008,924</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 58,374	\$ 33,812
Deferred rent	73,198	58,798
<b>TOTAL LIABILITIES</b>	<b>131,572</b>	<b>92,610</b>
Net Assets		
Without donor restrictions	4,120,116	3,843,536
With donor restrictions	2,577,995	1,072,778
<b>TOTAL NET ASSETS</b>	<b>6,698,111</b>	<b>4,916,314</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,829,683</b>	<b>\$ 5,008,924</b>

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

**WARRIOR CANINE CONNECTION, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2019**

**(With Summarized Financial Information for the Year Ended June 30, 2018)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions and contracts	\$ 2,107,688	\$ 955,000	\$ 3,062,688	\$ 2,433,369
Capital campaign revenue	-	1,303,354	1,303,354	750,000
In-kind contributions	116,100	-	116,100	125,232
Other income, net	10,122	-	10,122	16,788
Net assets released from restrictions:				
Satisfaction of program restrictions	553,137	(553,137)	-	-
Satisfaction of time restrictions	200,000	(200,000)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,987,047</u>	<u>1,505,217</u>	<u>4,492,264</u>	<u>3,325,389</u>
<b>EXPENSES</b>				
Program Services:				
Dog Training and Placement	1,527,170	-	1,527,170	1,412,913
Mission Based Trauma Recovery	798,087	-	798,087	1,041,574
<b>Total Program Services</b>	<u>2,325,257</u>	<u>-</u>	<u>2,325,257</u>	<u>2,454,487</u>
Supporting Services:				
Management and general	233,190	-	233,190	305,475
Fundraising	152,020	-	152,020	172,361
<b>Total Supporting Services</b>	<u>385,210</u>	<u>-</u>	<u>385,210</u>	<u>477,836</u>
<b>TOTAL EXPENSES</b>	<u>2,710,467</u>	<u>-</u>	<u>2,710,467</u>	<u>2,932,323</u>
<b>CHANGE IN NET ASSETS</b>	276,580	1,505,217	1,781,797	393,066
<b>NET ASSETS, BEGINNING OF YEAR, AS ORIGINALLY REPORTED</b>	<u>3,980,557</u>	<u>935,757</u>	<u>4,916,314</u>	<u>4,523,248</u>
Prior period adjustment	(137,021)	137,021	-	-
<b>NET ASSETS, BEGINNING OF YEAR, AS RESTATED</b>	<u>3,843,536</u>	<u>1,072,778</u>	<u>4,916,314</u>	<u>4,523,248</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,120,116</u>	<u>\$ 2,577,995</u>	<u>\$ 6,698,111</u>	<u>\$ 4,916,314</u>

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

**WARRIOR CANINE CONNECTION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	Program Services			Supporting Services			2018 Total
	Dog Training and Placement	Mission Based Trauma Recovery	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and fringe benefits	\$ 1,162,533	\$ 625,979	\$ 1,788,512	\$ 132,859	\$ 124,192	\$ 257,051	\$ 2,267,849
Dog breeding, training and care	183,050	32,303	215,353	175	-	175	180,272
Occupancy	50,429	41,260	91,689	4,242	5,545	9,787	94,466
Professional fees	7,794	6,377	14,171	65,136	190	65,326	70,623
Depreciation and amortization	40,810	17,256	58,066	6,902	6,902	13,804	69,021
Travel, meals and entertainment	20,772	25,388	46,160	557	4,136	4,693	87,975
Dues, licenses and subscriptions	5,211	21,855	27,066	3,255	7,387	10,642	33,241
Miscellaneous	12,967	8,214	21,181	9,465	117	9,582	63,410
Bank and credit card fees	4,766	6,527	11,293	3,440	389	3,829	8,607
Training and development	7,199	5,890	13,089	304	199	503	9,211
Insurance	4,901	2,320	7,221	5,536	102	5,638	14,840
Education, outreach and marketing	10,096	844	10,940	114	106	220	5,251
Auto expense	8,200	1,447	9,647	66	70	136	11,206
Printing	3,258	2,427	5,685	200	1,933	2,133	12,073
Postage, mailing and delivery	5,184	-	5,184	939	752	1,691	4,278
<b>TOTAL EXPENSES</b>	<b>\$ 1,527,170</b>	<b>\$ 798,087</b>	<b>\$ 2,325,257</b>	<b>\$ 233,190</b>	<b>\$ 152,020</b>	<b>\$ 385,210</b>	<b>\$ 2,932,323</b>

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

WARRIOR CANINE CONNECTION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

(With Summarized Financial Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,781,797	\$ 393,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	71,870	69,021
Changes in assets and liabilities:		
Contributions and contracts receivable	(1,244,065)	4,977
Inventory	2,772	(7,994)
Prepaid expenses	663	2,397
Deposits	-	2,500
Accounts payable and accrued expenses	24,562	(52,493)
Deferred rent	14,400	14,400
	<u>651,999</u>	<u>425,874</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(237,593)</u>	<u>(405,431)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(237,593)</u>	<u>(405,431)</u>
NET INCREASE IN CASH	414,406	20,443
CASH, BEGINNING OF YEAR	<u>2,232,920</u>	<u>2,212,477</u>
CASH, END OF YEAR	<u>\$ 2,647,326</u>	<u>\$ 2,232,920</u>
NONCASH INVESTING ACTIVITY		
Acquisition of construction in progress donated to organization	<u>\$ -</u>	<u>\$ 6,100</u>

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

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2019

### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

Warrior Canine Connection, Inc. (the Organization) was incorporated on August 5, 2011, under the laws of the State of Maryland as a charitable and educational organization that provides 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 service dogs. The Organization's training method offers a safe, effective and inexpensive therapeutic intervention that remediates the core symptoms of PTS and TBI and produces well-trained service dogs that will be partnered, at no cost, with disabled combat veterans. The Organization's programs are funded primarily through grants and contributions from foundations and individuals.

#### **Basis of Presentation**

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

#### **Property and Equipment and Related Depreciation and Amortization**

Transportation equipment, furniture, fixtures and equipment, and computer equipment and software are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are stated at cost and are amortized over the remaining life of the lease. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation or amortization, and any gain or loss, if any, is reflected in revenue and support or expenses in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. The Organization capitalizes property and equipment with a cost of \$2,500 or more.

The estimated useful lives for property and equipment are as follows:

<u>Asset Class</u>	<u>Life</u>
Transportation equipment	5-7 years
Furniture, fixtures and equipment	7-10 years
Computer equipment and software	3 years

#### **Classification of Net Assets**

The net assets of the Organization are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Organization's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the

# WARRIOR CANINE CONNECTION, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2019

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### 1. Organization and Summary of Significant Accounting Policies (continued)

#### **Classification of Net Assets (continued)**

passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of June 30, 2019, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

#### **Donated Goods and Services**

The Organization's Dog Training and Placement Program and Mission Based Trauma Recovery Program are furthered through the contribution of goods and services by various individuals and organizations. Donated goods and services are recorded at fair value as of the date of donation and are included in contributions revenue and assets or expenses in the accompanying financial statements. Donated goods and services are disclosed in Note 6.

#### **Revenue Recognition**

Contributions are recognized when promised, and are considered available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

The Organization recognizes revenue from contracts based on allowable direct and indirect costs incurred. Any costs that have not been reimbursed are reflected as contributions and contracts receivable in the accompanying statement of financial position.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Salaries and related expenses are allocated based on estimated percentages that are reviewed by management on an annual basis. Occupancy, depreciation and amortization, and insurance are allocated using the headcount related to facilities.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of certain assets and liabilities and revenue and expenses. Accordingly, actual results could differ from those estimates.

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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1. Organization and Summary of Significant Accounting Policies (continued)

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The major changes of the ASU affecting the Organization include (a) requiring the representation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) requiring the disclosure of qualitative and quantitative information regarding the liquidity and availability of resources; and (c) requiring the reclassification of amounts that were previously reported as the release from temporarily restricted net assets for donor-restricted capital projects which are under constructions. Those amounts are now classified as net assets with donor restrictions as the related capital projects have not been completed and placed in service.

2. Contributions and Contracts Receivable

Contributions and contracts receivable as of June 30, 2019, totaled \$1,872,029 and represented amounts due from government, corporations and foundations. As of June 30, 2019, all contributions and contracts receivable were considered fully collectible.

As of June 30, 2019, the Organization's contributions and contracts receivable were due to be received as follows:

Due in less than one year	\$ 797,029
Due in one to four years	<u>1,075,000</u>
Total Contributions and Grants Receivable	<u>\$ 1,872,029</u>

No discount was recorded for the multiyear receivable due in one to five years, as the discount was not material to the financial statements for the year ended June 30, 2019.

3. Property and Equipment

The Organization's property and equipment consisted of the following as of June 30, 2019:

Construction in progress	\$ 1,326,240
Leasehold improvements	1,002,043
Furniture, fixtures and equipment	103,273
Computer equipment and software	70,286
Transportation equipment	<u>33,926</u>
Total Property and Equipment	2,535,768
Less: Accumulated Depreciation and Amortization	<u>(247,036)</u>
Property and Equipment, Net	<u>\$ 2,288,732</u>

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**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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3. Property and Equipment (continued)

Depreciation and amortization expense totaled \$71,870 for the year ended June 30, 2019.

The Organization received donated materials and services for leasehold improvements at its new facility in Boyds, Maryland, during the year ended June 30, 2019. These materials and services were capitalized and initially included in construction in progress, and then later transferred to leasehold improvements once the related asset was placed in service. The Organization estimated the total cost of all current and future leasehold improvements to be \$6,000,000, which is expected to be funded through charitable contributions. Total costs incurred through the year ended June 30, 2019, were \$2,328,283.

4. Net Assets With Donor Restrictions

The net assets with donor restrictions of the Organization were available for the following programs and purpose as of June 30, 2019:

Subject to expenditure for specified purposes:	
Dog Training and Placement	\$ 21,682
Mission-Based Trauma Recovery	400,000
Healing headquarters construction	<u>2,056,313</u>
Total Subject to Expenditure for Specified Purposes	2,477,995
Subject to expenditure for time restrictions	<u>100,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,577,995</u>

5. Operating Lease

The Organization has entered into a noncancelable operating lease for its headquarters that expires in May 2039. The term of the lease provides for fixed annual rent payments of \$1 from year one through year 10; \$18,000 from year 11 through year 15; \$24,000 from year 16 through year 20; and \$30,000 from year 21 through year 25.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives, if any, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

The Organization has also entered into a five-year noncancelable lease for land through March 2020, with a fixed rate of \$3,660 payable annually on April 1. The additional acreage is to provide an environmental buffer between the Organization and adjacent farming operations.

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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5. Operating Lease (continued)

Future minimum lease payments, subject to cost-of-living adjustments, are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ 3,746
2021	1
2022	1
2023	1
2024	1,501
Thereafter	<u>358,502</u>
Total	<u>\$ 363,752</u>

Rent expense totaled \$29,493 for the year ended June 30, 2019, and is included in occupancy in the accompanying statement of functional expenses.

6. Contributed Services, Goods and Facilities

The Organization receives various gifts of dog-related goods and supplies which are used in its canine programs. Management estimated the value of these items to be \$116,100 for the year ended June 30, 2019, which is reported as in-kind contributions in the accompanying statement of activities.

The Organization's programs are also furthered through the contribution of time from volunteers. Volunteers have contributed approximately 9,680 hours to the organization's program services for the year ended June 30, 2019. These services are not reflected in the accompanying statement of activities because the services do not meet the necessary criteria for recognition under GAAP.

7. Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies, and therefore bears some risk, the Organization has not experienced, nor does it anticipate, any losses on its funds. At June 30, 2019, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$2,146,000.

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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8. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2019, were as follows:

Cash	\$ 2,647,326
Contributions and contracts receivable, current portion	<u>797,029</u>
Total Financial Assets Available Within One Year	3,444,355
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose and time restriction	<u>(2,577,995)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 866,360</u>

The Organization has various sources of liquidity at its disposal, including cash, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. Management reviews an updated cash flow projection to assess the immediate needs and adjust cash balances as necessary. The Organization has net assets with donor restrictions which have been excluded from the financial assets available to meet general expenditures within one year, \$2,056,313 has been restricted for construction and will be released when the construction is completed and placed in service.

9. Retirement Plan

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 up to the limits permitted by law. The Organization makes discretionary contributions to match employee contributions, the amount of which a match is determined on an annual basis. The Organization made matching contributions of \$20,904 to the plan for the year ended June 30, 2019.

10. Income Taxes

Under Section 501(c)(3) of the IRC, the Organization is exempt from the payment of taxes on income other than net unrelated business income. The Organization reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the year ended June 30, 2019, no provision for income taxes was made, as the Organization had no net unrelated business income and did not identify any uncertainty in income taxes requiring

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2019**

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10. Income Taxes (continued)

recognition or disclosure in these financial statements. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. There are currently no examinations pending or in progress regarding the Organization's tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

11. Adoption of New Accounting Standard

As stated in Note 1, the Organization implemented ASU 2016-14 and applied it retrospectively to the beginning net assets balances presented which decreased net assets without donor restrictions by \$137,021 and increased net asset with donor restrictions by \$137,021. The amounts were previously reported as a release from donor-restricted construction in progress and are now reclassified as net assets with donor restrictions as the related assets have not been placed in service as of June 30, 2019.

12. Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

13. Subsequent Events

The Organization's management has evaluated subsequent events through December 10, 2019, the date the financial statements were available to be issued. There were no subsequent events identified through December 10, 2019, required to be recognized or disclosed in these financial statements.