



**Warrior  
Canine  
Connection**

## **Financial Statements**

*For the Year Ended June 30, 2021*

*(With Summarized Financial Information for the Year Ended June 30, 2020)*



**and  
Report Thereon**



**WARRIOR CANINE CONNECTION, INC.**

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**For the Year Ended June 30, 2021**

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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, 2021, 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.

### ***Opinion***

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the financial position of Warrior Canine Connection, Inc. as of June 30, 2021, 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 Matter***

#### ***Report on the Summarized Comparative Financial Statements***

We have previously audited the Warrior Canine Connection's 2020 financial statements, and in our report dated April 16, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 12 to the financial statements, the Organization adopted a change in accounting principle regarding the recognition of the PPP loan. Our opinion is not modified with respect to this matter.

*Marcum LLP*

Washington, DC  
February 14, 2022

WARRIOR CANINE CONNECTION, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(With Summarized Financial Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 5,918,333	\$ 4,225,821
Grants and contributions receivable	1,309,565	1,208,519
Prepaid expenses	31,890	29,057
Inventory	13,453	10,751
Property and equipment, net	<u>2,185,026</u>	<u>2,022,868</u>
 TOTAL ASSETS	 <u>\$ 9,458,267</u>	 <u>\$ 7,497,016</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 94,063	\$ 144,163
Refundable advance – PPP contribution	-	444,360
Deferred revenue	-	83,420
Deferred rent	<u>-</u>	<u>87,598</u>
 TOTAL LIABILITIES	 <u>94,063</u>	 <u>759,541</u>
Net Assets		
Without donor restrictions	5,236,939	4,109,860
With donor restrictions	<u>4,127,265</u>	<u>2,627,615</u>
 TOTAL NET ASSETS	 <u>9,364,204</u>	 <u>6,737,475</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 9,458,267</u>	 <u>\$ 7,497,016</u>

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

**WARRIOR CANINE CONNECTION, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2021**

**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 1,881,282	\$ 310,000	\$ 2,191,282	\$ 2,281,153
Government grants	702,261	-	702,261	1,039,601
PPP contribution	444,360	-	444,360	-
Capital campaign revenue	-	1,800,000	1,800,000	59,403
In-kind contributions	146,710	-	146,710	171,003
Other income, net	53,705	-	53,705	160,345
Net assets released from restrictions:				
Satisfaction of program restrictions	385,350	(385,350)	-	-
Satisfaction of time restrictions	225,000	(225,000)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>3,838,668</u>	<u>1,499,650</u>	<u>5,338,318</u>	<u>3,711,505</u>
<b>EXPENSES</b>				
Program Services:				
Dog Training and Placement	1,410,724	-	1,410,724	1,412,018
Mission Based Trauma Recovery	952,069	-	952,069	1,226,278
<b>Total Program Services</b>	<u>2,362,793</u>	<u>-</u>	<u>2,362,793</u>	<u>2,638,296</u>
Supporting Services:				
Management and general	269,610	-	269,610	259,319
Fundraising	173,984	-	173,984	192,355
<b>Total Supporting Services</b>	<u>443,594</u>	<u>-</u>	<u>443,594</u>	<u>451,674</u>
<b>TOTAL EXPENSES</b>	<u>2,806,387</u>	<u>-</u>	<u>2,806,387</u>	<u>3,089,970</u>
Change in net assets before gain on lease termination and write off of capital project	1,032,281	1,499,650	2,531,931	621,535
Gain on lease termination	94,798	-	94,798	-
Write off of capital project	-	-	-	(582,171)
<b>CHANGE IN NET ASSETS</b>	1,127,079	1,499,650	2,626,729	39,364
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,109,860</u>	<u>2,627,615</u>	<u>6,737,475</u>	<u>6,698,111</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,236,939</u>	<u>\$ 4,127,265</u>	<u>\$ 9,364,204</u>	<u>\$ 6,737,475</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, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Program Services			Supporting Services			2021 Total	2020 Total
	Dog Training and Placement	Mission Based Trauma Recovery	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and fringe benefits	\$ 1,091,828	\$ 699,678	\$ 1,791,506	\$ 196,187	\$ 137,333	\$ 333,520	\$ 2,125,026	\$ 2,340,120
Dog breeding, training and care	118,980	121,834	240,814	-	-	-	240,814	254,201
Occupancy	63,072	42,858	105,930	4,826	3,816	8,642	114,572	100,412
Professional fees	39,688	18,490	58,178	44,092	5,292	49,384	107,562	88,445
Depreciation and amortization	28,059	28,059	56,118	6,235	-	6,235	62,353	69,784
Dues, licenses and subscriptions	15,263	5,593	20,856	5,253	7,560	12,813	33,669	44,401
Insurance	10,587	13,373	23,960	2,786	-	2,786	26,746	9,890
Bank and credit card fees	6,343	9,752	16,095	8,284	-	8,284	24,379	19,405
Miscellaneous	11,090	1,109	12,199	1,725	1,308	3,033	15,232	17,525
Printing	2,250	-	2,250	-	9,801	9,801	12,051	14,755
Education, outreach and marketing	5,774	4,782	10,556	-	924	924	11,480	39,080
Equipment and software	1,423	150	1,573	-	6,093	6,093	7,666	12,878
Auto	7,107	186	7,293	-	-	-	7,293	13,294
Postage, mailing and delivery	4,350	569	4,919	23	1,078	1,101	6,020	4,512
Travel, meals and entertainment	2,081	3,703	5,784	-	-	-	5,784	43,146
Training and development	2,531	155	2,686	199	-	199	2,885	7,340
Recruitment	298	1,778	2,076	-	779	779	2,855	10,782
<b>Total expenses before write off of capital project</b>	<u>1,410,724</u>	<u>952,069</u>	<u>2,362,793</u>	<u>269,610</u>	<u>173,984</u>	<u>443,594</u>	<u>2,806,387</u>	<u>3,089,970</u>
Write off of capital project	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,171</u>
<b>TOTAL EXPENSES INCLUDED ON THE STATEMENT OF ACTIVITIES</b>	<u><u>\$ 1,410,724</u></u>	<u><u>\$ 952,069</u></u>	<u><u>\$ 2,362,793</u></u>	<u><u>\$ 269,610</u></u>	<u><u>\$ 173,984</u></u>	<u><u>\$ 443,594</u></u>	<u><u>\$ 2,806,387</u></u>	<u><u>\$ 3,672,141</u></u>

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, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,626,729	\$ 39,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	62,353	69,784
Write off of capital project	-	582,171
Changes in assets and liabilities:		
Grants and contributions receivable	(101,046)	663,510
Inventory	(2,702)	(554)
Prepaid expenses	(2,833)	(17,658)
Accounts payable and accrued expenses	(50,100)	85,789
Refundable advance – PPP contribution	(444,360)	444,360
Deferred revenue	(83,420)	83,420
Deferred rent	(87,598)	14,400
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,917,023</u>	<u>1,964,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(224,511)</u>	<u>(386,091)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(224,511)</u>	<u>(386,091)</u>
NET INCREASE IN CASH	1,692,512	1,578,495
CASH, BEGINNING OF YEAR	<u>4,225,821</u>	<u>2,647,326</u>
CASH, END OF YEAR	<u>\$ 5,918,333</u>	<u>\$ 4,225,821</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, 2021

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### 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, and a useful life greater than one year.

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, 2021**

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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, 2021, 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**

The Organization recognizes all unconditional promises to give in the period in which the commitment is made and the value is measurable. Unconditional contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. Amounts received that are designated for future periods or restricted for specific purposes are recorded as with donor restrictions. When a donor-stipulated time restriction expires or purpose restriction is met, 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. Unconditional contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a rate commensurate with the risks identified. Capital campaign revenue consists of unconditional contributions with donor restrictions.

The Organization has grants with a U.S. government agency. Revenue from these grants are conditional upon certain performance requirements. Revenues from these U.S. government grants is recognized when the Organization has met the grant provisions. Amounts related to these conditional grants that are recognized and released in the same year are included as government grants without donor restrictions in the accompanying statement of activities. Revenue recognized on these grants for which billings have not been presented to or collected from the grantors is included in grants and contributions receivable in the accompanying statement of financial position. Accordingly, amounts drawn in advance of the reporting period are reported as deferred revenue in the accompanying statement of financial position.

The Organization received funding under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) that was conditional upon the incurrence of specified conditions. The amounts are reported as PPP contribution when the conditions have been met.

## WARRIOR CANINE CONNECTION, INC.

### NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2021

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

##### **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.

#### 2. Grants and Contributions Receivable

Grants and contributions receivable as of June 30, 2021, totaled \$1,309,565 and represented amounts due from government, corporations and foundations. As of June 30, 2021, all grants and contributions receivable were considered fully collectible.

As of June 30, 2021, the Organization's grants and contributions receivable were due to be received as follows:

Due in less than one year	\$ 784,565
Due in one to three years	<u>525,000</u>
Total Grants and Contributions Receivable	<u>\$ 1,309,565</u>

No discount was recorded for the multiyear receivables due in one to three years, as the discount was not material to the financial statements.

#### 3. Property and Equipment

The Organization's property and equipment consisted of the following as of June 30, 2021:

Construction in progress	\$ 1,299,683
Leasehold improvements	1,024,445
Furniture, fixtures and equipment	117,000
Computer equipment and software	73,045
Transportation equipment	<u>48,826</u>
Total Property and Equipment	2,562,999
Less: Accumulated Depreciation and Amortization	<u>(377,973)</u>
Property and Equipment, Net	<u>\$ 2,185,026</u>

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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3. Property and Equipment (continued)

Depreciation and amortization expense totaled \$62,353 for the year ended June 30, 2021.

The Organization raised funds for capital projects to renovate the onsite barn, to build a new training center and new PEC center. The initial plan for the barn renovation was to build a two-story building to have office and conference room space on the lower level and residential suites to house veterans on the upper level. The planning phase of the project started from 2016. The Organization reassessed the initial plan under the COVID-19 pandemic and developed a new plan for the barn renovation which are expected to be completed by October 2022.

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 accumulated costs incurred to date were \$2,324,128 which are included in construction in progress and leasehold improvements in the accompanying statement of financial position.

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, 2021:

Subject to expenditure for specified purposes:	
Mission-Based Trauma Recovery	\$ 211,551
Healing headquarters construction	<u>3,865,714</u>
Total Subject to Expenditure for Specified Purposes	4,077,265
Subject to expenditure for time restrictions	<u>50,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,127,265</u>

5. Operating Lease

The Organization entered into a noncancelable operating lease for its headquarters that expires in May 2039. The term of the lease provided 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. This lease was terminated and replaced by a new lease on December 2, 2020. Under the new lease, the Organization shall (1) renew the lease for 3 additional terms of 10 years each not requiring Landlord's approval; (2) revise the rent provision to allow for performance rent in lieu of monetary rent as long as the Organization demonstrates the using of the premises in a manner that fulfils the Organization's purpose and mission; (3) commencing with the year of 11 of the lease, pay the monthly rent based on the prevailing market rate if the Organization is not in full compliance with the activities, programs and improvements, which include providing unique method for training service dogs, training dogs to support veterans with disabilities, working cooperatively and conducting activities in support of Landlord's Wounded Warrior and Veteran Outreach

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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5. Operating Lease (continued)

Program and Veteran Conservation Corps Program, and investing between \$5 million to \$7 million to complete various construction projects through June 2023. The Organization recognized \$510 as in-kind contributions in connection with the new lease in the accompanying statement of activities as all conditions were met during the year ended June 30, 2021 and the Organization does not pay monetary rent pursuant to the lease.

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. The Organization recorded \$94,798 gain on lease termination related to the lease termination stated above in the accompanying statement of activities as of June 30, 2021 and did not have any remaining deferred rent as of June 30, 2021.

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 lease has been renewed on December 20, 2019 to extend the lease term from April 1, 2020 through March 31, 2025 with the same annual rent payment of \$3,660. The additional acreage is to provide an environmental buffer between the Organization and adjacent farming operations.

The Organization leases three trailers with the lease agreements renewed on annual basis. The expiration dates of leases for these three trailers are through July 22, 2022, November 13, 2022 and June 26, 2022, respectively, with the monthly rent of \$642, \$250 and \$589, respectively.

The Organization has entered into a one-year rent-free operating lease as a training facility. The lease commenced on May 1, 2021, and expires April 30, 2022. The Organization recorded two-month rent expenses totaled \$4,722 as of June 30, 2021 based on the prevailing market rate, and recognized two-month free rent as in-kind contributions which is included in the accompanying statement of activities.

Future minimum lease payments are as follows:

Year Ending June 30,	
2022	\$ 12,753
2023	5,552
2024	3,660
2025	<u>2,745</u>
Total	<u>\$ 24,710</u>

Rent expense totaled \$32,632 for the year ended June 30, 2021, and is included in occupancy in the accompanying statement of functional expenses.

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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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 \$146,710, for the year ended June 30, 2021, 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 45,514 hours to the Organization's program services for the year ended June 30, 2021. 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. Risks and Uncertainties

**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, 2021, the amount in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000 was approximately \$5,437,000.

**COVID-19**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact the Organization's financial condition or results of operations is uncertain and being evaluated by management and the Board.

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, 2021, were as follows:

Cash	\$ 5,918,333
Grants and contribution receivable, current portion	<u>784,565</u>
Total Financial Assets Available Within One Year	6,702,898

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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8. Availability and Liquidity (continued)

*(continued)*

Less:

Amounts unavailable for general expenditures within one year due  
to donors' restriction with purpose and time restriction \$ (4,127,265)

Financial Assets Available to Meet  
General Expenditures Within One Year \$ 2,575,633

The Organization has various sources of liquidity at its disposal, 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, \$3,865,714 has been restricted for construction and will be released when the construction is completed and placed in service.

9. Related Party Transaction

During 2021, the Organization received an unconditional contribution from one of its board members in the amount of \$750,000 which is included in contributions with donor restrictions in the accompanying statement of activities.

10. 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 \$0 to the plan for the year ended June 30, 2021.

11. 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, 2021, 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 recognition or disclosure in these financial statements. The Organization's tax returns are

**WARRIOR CANINE CONNECTION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**

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11. Income Taxes (continued)

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.

12. Changing in Accounting Principle

On April 15, 2020, the Organization entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$444,360. The loan was to mature on April 15, 2022, and bore a fixed interest rate of 1% per annum. The Organization implemented Financial Accounting Standards Board (FASB) issued accounting Standards Update (ASC) 470 to account for PPP loan as debt as of June 30, 2020. The loan amount was eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder to be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained. Management retrospectively adopted a change in accounting principle to account for the PPP loan as a conditional contribution under FASB ASC 958-605. This change required the note payable of \$444,360 to be reclassified to a refundable advance in the statement of financial position and reclassified from a financing activity to operations activity in the statement of cash flow for the year ended June 30, 2020. The change did not have an impact on net assets.

As of June 30, 2021, the Organization met the conditions for PPP loan forgiveness. Subsequent to year end, the Organization applied for forgiveness of the PPP loan, and the application for forgiveness was approved by SBA for the loan of \$444,360 on August 5, 2021.

13. Subsequent Events

The Organization's management has evaluated subsequent events through February 14, 2022, the date the financial statements were available to be issued. Except for subsequent event regarding the forgiveness of PPP loan disclosed at Note 12, there were no subsequent events identified through February 14, 2022, required to be recognized or disclosed in these financial statements.