

WORKING DOGS FOR VETS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

WORKING DOGS FOR VETS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Working Dogs for Vets

We have audited the accompanying financial statements of Working Dogs for Vets (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 financial statements referred to above present fairly, in all material respects, the financial position of Working Dogs for Vets as of June 30, 2021, and the change 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.

Marcum LLP

Nashville, Tennessee
February 23, 2022

WORKING DOGS FOR VETS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$	2,277
Certificate of Deposit		49,993
Contributions receivable		<u>4,800</u>

Total Current Assets \$ 57,070

Property & Equipment - Net 446,464

Total Assets \$ 503,534

Liabilities

Current liabilities

Installment notes payable, due within one year	\$	11,037
Accounts payable and accrued expenses		<u>6,370</u>

Total Current liabilities \$ 17,407

Long-Term Liabilities

Installment notes payable, due after one year		<u>345,781</u>
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Total Long-Term Liabilities 345,781

Total Liabilities 363,188

Net Assets

Net Assets - Without Donor Restrictions 140,346

Total Liabilities and Net Assets \$ 503,534

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

WORKING DOGS FOR VETS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2021

Change in Net Assets Without Donor Restrictions

Support and Revenue

Contributions and grants	\$ 194,884
Interest	1,856
In-kind donations	<u>37,202</u>

Total Support and Revenue \$ 233,942

Expenses

Program services	235,765
Supporting services:	
Administrative	31,306
Fundraising	<u>22,721</u>

Total supporting services 54,027

Total Expenses 289,792

Change in Net Assets (55,850)

Net Assets - Beginning of Fiscal Year 196,196

Net Assets - Ending of Fiscal Year \$ 140,346

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

WORKING DOGS FOR VETS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Service	General and Administrative	Fundraising	Total
Veteran Expenses	\$ 46,255	\$ --	\$ --	\$ 46,255
In-kind	37,202	--	--	37,202
Professional fees	--	11,324	22,721	34,045
Repairs and maintenance	32,739	--	--	32,739
Occupancy	25,231	4,453	--	29,684
Compensation and benefits	24,858	3,168	--	28,026
Office expenses	12,548	2,214	--	14,762
Depreciation and amortization	12,515	2,208	--	14,723
Interest	13,770	--	--	13,770
Service Canine Expenses	13,585	--	--	13,585
Vehicle expenses	7,093	--	--	7,093
Insurance	5,482	967	--	6,449
Fees and subscriptions	--	3,428	--	3,428
Taxes and licenses	--	3,146	--	3,146
Payroll taxes	2,252	397	--	2,649
Miscellaneous	2,236	--	--	2,236
	<u>\$ 235,765</u>	<u>\$ 31,306</u>	<u>\$ 22,721</u>	<u>\$ 289,792</u>

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

WORKING DOGS FOR VETS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

Cash Flows From Operating Activities

Change in net assets	\$	(55,850)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		14,430
Amortization		2,836
Changes in assets and liabilities:		
Contributions receivables		800
Other assets		1,500
Accounts payable and accrued expenses		<u>3,586</u>

Net Cash Used in Operating Activities \$ (32,698)

Cash Flows From Investing Activities

Purchases of furniture and equipment	(62,705)
Proceeds from the sale of the certificate for deposit	<u>57,613</u>

Net Cash Used in Investing Activities (5,092)

Cash Flows From Financing Activities

Payments on installment notes payable	(15,600)
Proceeds from SBA Economic Injury Disaster Loan	23,100
Repayment of related party advance	1,500
Proceeds from related installment notes payable	<u>11,283</u>

Net Cash Provided by Financing Activities 20,283

Net Decrease in Cash and Cash Equivalents (17,507)

Cash and Cash Equivalents - Beginning of Year 19,784

Cash and Cash Equivalents - End of Year \$ 2,277

Supplemental Disclosures of Cash Flow Information

Interest paid \$ 29,684

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

WORKING DOGS FOR VETS

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

Supplemental Disclosures of Non-Cash Investing and Financing Activities:

Automobile financed with installment note	<u>\$ 14,900</u>
Refinance of installment notes payable	<u>\$ 129,211</u>
Building financed with installment note	<u>\$ 74,668</u>
Non- monetary donations and expenses	<u>\$ 34,045</u>

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

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - ORGANIZATION

Working Dogs For Vets (W.D.F.V.) (the “Organization”) is a not-for-profit organization (incorporated) founded in 2015, committed to providing service dogs to United States veterans suffering from post-traumatic stress disorder, traumatic brain injury, and/or military sexual trauma as a result of military service. We help veterans of all era’s and veterans suffering from additional injuries and disabilities. WDFV trains service dogs and matches them with veterans who work with their service dogs in training until they graduate. Most of our service dogs are rescues, but some come from private donors.

No Veteran Left Behind Program: (NVLB) A secondary program to help veterans to train service dogs with the support of our National Volunteer Network of Service Dog Trainers.

The Organizations mission is to provide service dogs and training to disabled heroes in need, empowering them as they return to civilian life with newfound independence: reducing suicide and overcrowding in animal shelters.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Organization prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which involves the application of the accrual basis of accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred, regardless of timing of cash flows.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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.

FINANCIAL STATEMENT PRESENTATION

The Organization presents its financial information in accordance with not-for-profit GAAP accounting principles. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor imposed restrictions.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL STATEMENT PRESENTATION (CONTINUED)

To ensure observance of limitations and restrictions that may be placed on the use of resources available to the Organization, its accounts are maintained in the following net asset categories:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent those assets that are not subject to donor-imposed stipulations or releases from donor restricted net assets designated for stipulated activities or programs.

Net Assets Without Donor Restrictions (continued)

Net assets with donor restrictions represent those assets that are subject to explicit or implicit donor-imposed stipulations that may or will be met whether by actions of the Organization and/or the passage of time. When the restriction expires, the net assets are reclassified to net assets without donor restrictions. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specific date, for particular programs or services. Other donors impose restrictions, which are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. During the year ended June 30, 2021, the Organization did not receive any gifts or contributions with donor restrictions.

CONTRIBUTIONS

Unconditional contributions are recognized as revenues in the period received.

Unconditional contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables.

Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS (CONTINUED)

The Organization reports conditional gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions.

DONATED SERVICES, MATERIALS, INVESTMENTS, AND FACILITIES

Volunteers and other organizations may contribute materials, animals and services to the Organization in support of various aspects of its programs. Services that create or enhance a nonfinancial asset or require a specialized skill and donated facilities are reflected in the accompanying financial statements at their fair value. Contributions of services, materials and animals are reported as revenues and expenses of net assets without donor restrictions, subject to certain criteria.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid short-term deposits with original maturities of three months or less as cash equivalents.

CERTIFICATE OF DEPOSIT

At June 30, 2021 the Organization held a 12 month certificate of deposit with a Bank. The certificate of deposit bears interest at a rate of 0.6%. The certificate of deposit matured on July 11, 2021 and was renewed for 12 months. Due to the maturity date of the certificate of deposit (12 months) the Organization has classified this as an investment. The certificate of deposit is recorded at cost, plus accrued interest.

PROPERTY AND EQUIPMENT - NET

Property and equipment acquisitions are recorded at cost. Property and equipment donated for operations are recorded as additions to donor restricted net assets at fair value at the date of receipt and as net assets released from restrictions when the assets are placed in service. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis, using estimated lives ranging from three to forty years. Purchases are determined to be capital expenditures based on the Organization's policy of capitalizing assets acquired at a cost (or, if donated, at fair value) exceeding \$2,500. Those items which are not capital expenditures are immediately expensed.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT - NET (CONTINUED)

The Organization regularly assesses all of its long-lived assets for impairment and recognizes a loss when the carrying value of an asset exceeds its fair value. The Organization determined that no impairment loss need be recognized for applicable assets for the year ended June 30, 2021. Maintenance and repairs are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Upon retirement, sale or other disposition of furniture and equipment, the cost and accumulated depreciation are eliminated from the accounts, and gains or losses are included on the statement of activities and change in net assets.

INCOME TAXES

The Organization is a not-for-profit Corporation as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is, however, subject to the tax on unrelated business income, if any such income exists. The Organization has no unrelated business income during the year ended June 30, 2021. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a Corporation that is not a private foundation under Section 509(a).

GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis between its program and support services. Accordingly, certain costs have been allocated among the program and services benefits. Most costs have been directly assigned to a functional category; however, certain costs have been allocated among the program and supporting services benefited. Salary, wages, fringe benefits and certain operating costs are allocated based upon employee hours. Expenses that can be identified with the program or support service are allocated directly according to their natural expense classification.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. The Organization is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, and its impact on operations, financial position, cash flows, and the industry in general, in addition to the impact on its employees. At this time, COVID-19 has not changed the Organization's ability to operate. Due to the rapid development and fluidity of this situation, the magnitude and duration of the pandemic and its impact on the Organization's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Organization, at the time of issuance, the impact could not be determined.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 23, 2022, which is the date the financial statements were available to be issued. No events requiring disclosure or recognition in the financial statements were identified, other than those described in Note 4.

NOTE 3 - FURNITURE AND EQUIPMENT, NET

A summary of fixed assets at June 30, 2021 is as follows:

Land	\$ 164,850
Buildings and improvements	163,302
Furniture and fixtures	2,746
Equipment	30,222
Vehicles	40,600
Construction in progress	<u>79,450</u>
Less: Accumulated depreciation	<u>34,706</u>
Property and Equipment, Net	<u><u>\$ 446,464</u></u>

Depreciation expense for the year ended June 30, 2021 was \$14,430. Management anticipates that the construction in progress will be completed during the year ending June 30, 2022.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - NOTES PAYABLE

ECONOMIC INJURY DISASTER LOAN

On June 9, 2020, the Organization executed a secured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) program in the amount of \$108,300. The loan is payable over 30 years at an interest rate of 2.75% per annum. Installment payments, including principal and interest, of \$463 will begin June 9, 2021. The loan matures June 11, 2050. The Organization collateralized the loan with certain real property. As part of the loan, the Organization received advances of \$10,000 from the SBA. While the SBA refers to this program as an advance, it was written into law as a grant. This means that the amount given through this program does not need to be repaid. Management anticipates the grants to be approved during the year ending June 30, 2022.

On January 27, 2021, the Organization modified the EIDL loan with the SBA increasing the loan amount to \$131,400. Under the modification the monthly payment increased to \$560 starting June 9, 2021 the loan maturity date remained unchanged. As of June 30, 2021, the outstanding loan amount was \$131,400.

Subsequent to the year ended June 30, 2021, on August 12, 2021, the Organization modified the EIDL loan with the SBA increasing the loan amount to \$500,000. Under the modification the monthly payment increased to \$2,194. The repayment date was deferred for an additional twelve months to June 9, 2022 the loan maturity date remained unchanged.

Then on October 10, 2021, the Organization modified the EIDL loan with the SBA increasing the loan amount to \$676,400. Under the modification the monthly payment increased to \$2,941. The repayment start date was extended to June 9, 2022 the loan maturity date remained unchanged. In connection with this modification the Organization provided certain real property as additional collateral for the loan.

AUTO LOANS PAYABLE

The Organization purchased vehicles from a local dealer secured with an installment note due to the local dealer of \$11,500. Interest on the loan is fixed at 10%. Installment payments, including principal and interest, of \$200 are due through February of 2025. The loan is secured by certain automobiles of the Organization. During January 2022 the note was paid off.

The Organization purchased vehicles from a local dealer secured with an installment note due to the local dealer of \$14,900. Interest on the loan is fixed at 10%. Installment payments, including principal and interest, of \$300 are due through October of 2023. The loan is secured by certain automobiles of the Organization. During July 2021 the note was paid off.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - INSTALLMENT NOTES PAYABLE (CONTINUED)

INSTALLMENT NOTE PAYABLE

On October 15, 2018 the Organization secured an installment note of \$140,350 with a local bank to finance the acquisition and development of real property. On October 16, 2020 the Organization refinanced and increased the loan. The loan was for \$213,814. The loan is payable over 20 years at an initial interest rate of 6% per annum through October 31, 2021. The interest rate thereafter will be variable based on the US Prime rate. The rate will not be higher than 10% or lower than 6%. Any change in rate is limited to 2% annually. Installment payments, including principal and interest, of \$1,548 beginning November 16, 2021. The loan matures October 15, 2040. The Organization collateralized the loan with certain real property. At June 30, 2021, the balance of the related party note was \$212,649.

The maturities and presentation of the notes payable and annual amortization of deferred financing fees as of June 30, 2021, are as follows:

For the Year Ending June 30,	Principal Amount	Debt Issuance Costs	Amount
2022	\$ 11,470	\$ (433)	\$ 11,037
2023	14,901	(433)	14,468
2024	11,214	(433)	10,781
2025	9,194	(433)	8,761
2026	9,673	(352)	9,321
Thereafter	<u>302,450</u>	<u>--</u>	<u>302,450</u>
Total			356,818
Less amount due within one year			<u>(11,037)</u>
Installment Notes Payable, Due After One Year			<u><u>\$ 345,781</u></u>

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization's founder and board president provides services as the executive director and as the National Lead Service Dog Trainer. For these services the Organization provided the board president compensation of \$21,121 for the year ended June 30, 2021. In addition, the Organization provides the founder with housing on site.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 - LEASE COMMITMENTS

The Organization leased space under an operating lease, which expired in October 2020. Rental expense, including amounts paid under the operating lease was \$1,350 for the year ended June 30, 2021 and is included within occupancy expense on the statement of functional expenses.

NOTE 7 - CONCENTRATIONS OF CREDIT AND OTHER RISKS

The Organization maintains its cash balances in checking and certificate of deposit accounts. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per bank. At June 30, 2021, the Organization had no amounts in excess of FDIC insured limits.

NOTE 8 - ALLOCATED EXPENSES

Functional expenses were allocated between program services and supporting services expenses as follows for the year ended June 30:

Allocated to program services	\$ 235,765
Allocated to supporting services	<u>54,027</u>
Total Allocable Costs	<u>\$ 289,792</u>

NOTE 9 - CONCENTRATIONS

For the year ended June 30, 2021 one donor accounted for approximately 12% of all contributions. In addition, approximately 60% of the organizations contributions were received from donations from individuals through a social media platform. At June 30, 2021, 100% of the contribution receivable related to contributions from the social media platform.

WORKING DOGS FOR VETS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of board designations or donor-imposed restrictions within one year of the statement of financial position date.

Financial Assets at Year End

Cash and cash equivalents	\$ 2,277
Certificate of Deposit	49,993
Contributions receivable	<u>4,800</u>
Total	<u><u>\$ 57,070</u></u>

The Organization is substantially supported by contributions and grants. The contributions and grants received may require resources to be used in a particular manner or in a future period. Because of these restrictions, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.