

paws4people, Inc.

Financial Statements

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
paws4people, Inc.
Wilmington, North Carolina

We have audited the accompanying financial statements of paws4people, Inc. (a nonstock corporation incorporated in the Commonwealth of Virginia and a 501c3 public charity), 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of paws4people, 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.

Thomas, Judy & Dickie, P.A.

December 11, 2019
Durham, North Carolina

paws4people, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Operations	Canines		
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 495,184	\$	\$	\$ 495,184
Federal Grant/Wounded Warrior Service Dog Program Receivable			230,315	230,315
Tractor Supply/4health Gift Card Inventory			39,179	39,179
Investments	27,706			27,706
Total Current Assets	522,890		269,494	792,384
Canine Assets:				
Canines in Active Service:				
Service Dogs		7,343,397		7,343,397
Facility Dogs		863,052		863,052
Emotional Support Dogs		1,513,977		1,513,977
Dogs Placed as Pets		155,875		155,875
Breeding Dogs		369,101		369,101
Less: Accumulated Depreciation		(2,062,242)		(2,062,242)
Total Canines in Active Service		8,183,160		8,183,160
Canines in Training Programs		2,244,740		2,244,740
Total Canine Assets, Net		10,427,900		10,427,900
Property and Equipment:				
Land	603,789			603,789
Buildings and Improvements	981,839			981,839
Furniture and Equipment	33,521			33,521
Vehicles	94,784			94,784
Less: Accumulated Depreciation	(101,839)			(101,839)
Property and Equipment, Net	1,612,094			1,612,094
Total Assets	\$ 2,134,984	\$ 10,427,900	\$ 269,494	\$ 12,832,378

See Accompanying Notes

paws4people, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
	<u>Operations</u>	<u>Canines</u>		
Support and Revenue:				
Public Support	\$ 1,214,016	\$	\$ 40,000	\$ 1,254,016
Federal Grant/Wounded Warrior Service Dog Program Revenue			460,631	460,631
In-Kind Training and Care Revenue, Net of Expenses of \$2,997,719		2,765,589		2,765,589
In-Kind Goods and Services	268,416			268,416
Fundraising Revenue	142,846			142,846
Investment Returns	2,781			2,781
Miscellaneous Revenue	19,141			19,141
	<u>1,647,200</u>	<u>2,765,589</u>	<u>500,631</u>	<u>4,913,420</u>
Total Support and Revenue				
Net Assets Released from Restriction	<u>356,137</u>		<u>(356,137)</u>	
Total Support, Revenue and Net Assets Released from Restriction	2,003,337	2,765,589	144,494	4,913,420
Operating Expenses:				
Program	1,671,998	1,106,483		2,778,481
General and Administrative	72,844			72,844
Fundraising	105,062			105,062
	<u>1,849,904</u>	<u>1,106,483</u>		<u>2,956,387</u>
Total Operating Expenses				
Change in Net Assets	153,433	1,659,106	144,494	1,957,033
Net Assets, Beginning of Year	<u>768,602</u>	<u>8,768,794</u>	<u>125,000</u>	<u>9,662,396</u>
Net Assets, End of Year	<u>\$ 922,035</u>	<u>\$ 10,427,900</u>	<u>\$ 269,494</u>	<u>\$ 11,619,429</u>

See Accompanying Notes

paws4people, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program			General and Administrative	Fundraising	Total
	Operations	Canines	Total			
Salaries and Wages	\$ 416,916	\$	416,916	\$ 32,791	\$ 18,738	\$ 468,445
Payroll Taxes and Fees	40,879		40,879	3,216	1,837	45,932
Employee Benefits	21,547		21,547	1,694	964	24,205
Advertising	28,100		28,100		3,217	31,317
Contractors	37,305		37,305		4,500	41,805
Printing and Postage	3,134		3,134			3,134
Special Events	53,924		53,924		66,189	120,113
Office Expense	43,944		43,944	1,403	1,403	46,750
IT Expense	35,872		35,872	1,146	1,146	38,164
Canine Food, Grooming and Transportation	258,220		258,220			258,220
Travel and Transportation	143,224		143,224	9,264		152,488
Membership, Conferences and Certifications	10,536		10,536			10,536
Insurance	39,697		39,697	486	486	40,669
Professional Fees	27,518		27,518	16,262		43,780
Taxes, License, and Registration	10,975		10,975			10,975
Repairs and Maintenance	97,964		97,964	3,126	3,126	104,216
In-Kind, Goods and Services	268,416		268,416			268,416
Interest Expense	60,789		60,789	1,940	1,940	64,669
Miscellaneous Expense	25,538		25,538			25,538
Canine In-Kind Expense		2,997,719	2,997,719			2,997,719
Loss on Retirement of Dogs		202,953	202,953			202,953
Depreciation	47,500	903,530	951,030	1,516	1,516	954,062
Total Expense by Function	1,671,998	4,104,202	5,776,200	72,844	105,062	5,954,106
Less: Expenses Included with Revenue: In-Kind Training Expense		<u>(2,997,719)</u>	<u>(2,997,719)</u>			<u>(2,997,719)</u>
Total Operating Expense	<u>\$ 1,671,998</u>	<u>\$ 1,106,483</u>	<u>\$ 2,778,481</u>	<u>\$ 72,844</u>	<u>\$ 105,062</u>	<u>\$ 2,956,387</u>

See Accompanying Notes

paws4people, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 1,957,033
Adjustments to Reconcile Change in Net	
Assets to Net Cash Provided by Operating Activities:	
Depreciation	954,062
Amortization of Debt Issuance Costs	1,837
In-Kind Canine Training and Care, Net	(2,765,589)
Loss on Retirement of Dogs	202,953
Unrealized Gain on Investments	(2,594)
Changes in Assets and Liabilities that	
Provided (Used) Cash:	
Pledge Receivable	25,000
Federal Grant/Wounded Warrior Service Dog Program Receivable	(130,315)
Tractor Supply/4health Gift Card Inventory	(21,265)
Accounts Payable	37,907
Due to Employee	<u>(2,953)</u>
Net Cash Provided by Operating Activities	<u>256,076</u>
Cash Flows from Investing Activities:	
Purchase of Investments	(121)
Purchase of Property and Equipment	<u>(137,208)</u>
Net Cash Used by Investing Activities	<u>(137,329)</u>
Cash Flows from Financing Activities:	
Payments on Notes Payable	<u>(34,535)</u>
Net Cash Used by Financing Activities	<u>(34,535)</u>
Net Increase in Cash and Cash Equivalents	84,212
Cash and Cash Equivalents, Beginning of Year	<u>410,972</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 495,184</u></u>

See Accompanying Notes

paws4people, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019
(Continued)

Supplemental Disclosure of Cash Flow Information:

Cash Paid During the Year for Interest	<u>\$ 64,669</u>
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Supplemental Schedule of Noncash Investing and Financing Activities:

Purchase of Property and Equipment	\$ (154,472)
Less: Amount Financed with Note Payable	<u>17,264</u>

Cash Paid for Purchase of Property and Equipment	<u>\$ (137,208)</u>
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See Accompanying Notes

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies

Operations

paws4people, Inc. (the "Organization") is a nonstock-corporation incorporated in the Commonwealth of Virginia on July 6, 1999 with its principal office in Wilmington, North Carolina. The Organization is registered as a foreign corporation in the states of North Carolina, West Virginia, California, Georgia, Illinois, and Texas and in the District of Columbia. The Organization does business as paws4people, paws4people foundation, paws4prisons, and paws4vets. The Organization fulfills its mission by focusing its efforts in these primary service areas:

Operations: The Organization's operations are designed to provide overall support and assistance to the Organization's Canines program.

Canines: The Organization's mission is educating and empowering people to utilize Assistance Dogs to transform their lives. The Organization provides certification, insurance, and support for each Client-Service Dog Team and Handler-Facility Dog Team for the duration of the Team's career.

The Organization specializes in raising, training, placing and certifying customized Service Dogs for two general groups: children and adolescents with physical, neurological, psychiatric, or emotional disabilities; and Veterans and Service Members with Post-Traumatic Stress Disorder (PTSD), Chronic/Complex Post-Traumatic Stress Disorder (C-PTSD), Traumatic Brain Injuries (TBI), Military Sexual Trauma (MST)/Sexual Trauma (ST), and Moral Injury.

The Organization also specializes in raising, training, placing and certifying Facility Dogs with professionals and volunteers who use the Dog in workplace or volunteer settings to provide animal assisted interventions, which are designed to promote improvement in physical, social, emotional, and/or cognitive functioning of the individual(s) involved and in which the Handler-Facility Dog Team is an integral part.

The Organization raises, trains, and places Emotional Support Dogs with Handlers. Emotional Support Dogs provide emotional support to Handlers within their own homes and other dog-friendly environments. They are trained with basic obedience, advanced obedience and, in some instances, disability skills, commands and behaviors.

The Organization also raises, trains, and places Breeding Dogs with Custodians. The paws4people Breeding Dog Program is a custom bloodline specifically developed to produce Dogs with the quality, health, personality, temperament, and disposition suitable for careers as Service Dogs and Facility Dogs. All of our prospective Breeding Program Dogs have many health certifications and clearances completed prior to being bred.

Dogs determined by the Organization not to have the personality, temperament, and disposition suitable for careers as Service Dogs, Facility Dogs, or Emotional Support Dogs are placed by the Organization as pets with Custodians.

The Organization works to exceed industry training and utilization standards for all of its Service Dogs and Facility Dogs, and to increase the public's knowledge about the important roles these Dogs serve within society.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation and New Accounting Pronouncements

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 these expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Financial statement presentation follows the preceding paragraph and the recommendations of the FASB Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. ASC 958-205 requires that not-for-profit organizations provide a statement of financial position, a statement of activities, a statement of functional expenses, and a statement of cash flows. ASC 958-205 requires classification of an organization’s net assets, revenues and expenses according to the following net asset classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the combined statements of financial position.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand, cash in demand deposit accounts, and all short-term debt securities with a maturity of three months or less to be cash equivalents. The Organization had \$239,715 of cash equivalents at June 30, 2019.

Investments

Investments in marketable securities with readily determinable fair values and all investments in precious metals are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated securities are recorded at their fair market values on the dates of the gifts. The Organization determines whether and when to sell or to hold the donated securities.

Gift Card Inventory

Gift card inventories are stated at cost determined by the first-in, first-out method.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with an original cost or donated value of \$500 or more and an estimated useful life of more than one year. Purchased property and equipment are carried at cost. Donations of equipment are recorded as contributions at their estimated fair value at the date of the donation. Assets donated are considered unrestricted, unless a specific restriction for the asset donated is included in a Charitable Gift Agreement signed by the donor and the Executive Director of the Organization. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. In the absence of such stipulations, contributions of equipment are recorded as assets without donor restrictions. Depreciation and amortization are computed using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	39	years
Furniture and Equipment	5 - 7	years
Vehicles	5 - 7	years

Depreciation expense associated with property and equipment totaled \$50,533 for the year ended June 30, 2019.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Canine Assets

Canine assets are recorded in the statement of financial position at the estimate cost of training from birth, donation, or acquisition through conditional custody placement under contract by the Organization with a Client or Handler.

The Organization spends approximately two years to raise, train, place, and certify a canine with a Client or Handler. Beginning at conditional custody placement by the Organization with a Client or Handler, a canine is depreciated over an eight year timeframe.

The Organization spends between one and two years raising, training, and placing an Emotional Support Dog with Handler and a Breeding Dog with a Custodian. Beginning at conditional custody placement by the Organization with a Client, Handler, or Custodian, a Service Dog, Facility Dog, Emotional Support Dog, or Breeding Dog is depreciated over an eight year timeframe.

The Organization spends 4 months to a year to train dogs placed as pets with Custodians.

Depreciation expense associated with canine assets totaled \$903,530 for the year ended June 30, 2019.

Functional Allocations of Expenses

The statement of functional expenses reports certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Therefore these expenses require allocation on a reasonable basis that is consistently applied. All other expenses are directly identified with either programs or in general and administrative and fundraising.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and Wages	Time and Effort
Payroll Taxes and Fees	Time and Effort
Employee Benefits	Time and Effort
Office Expense	Square Footage
IT Expense	Square Footage
Insurance	Square Footage
Repairs and Maintenance	Square Footage
Depreciation	Square Footage
Interest	Square Footage

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. Summary of Significant Accounting Policies (Continued)

Contributions

All charitable gifts to the Organization or any of its programs or legal entities are considered without donor restriction, unless a specific restriction for the charitable gift is included in a Charitable Gift Agreement signed by the donor and the Executive Director of the Organization. All charitable gifts without donor restriction are used to fund the entirety of the Organization, its operations, programs, services, and future growth.

The Charitable Gift Solicitation, Acceptance, and Administration Policy is applicable to and governs all charitable gifts to the Organization and all of the Organization's gift agents. Contributions that are restricted by the donor are reported as increased in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, 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.

Advertising

The Organization expenses advertising costs when incurred. Advertising expense totaled \$31,317 for the year ended June 30, 2019.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under IRS code section 501(c)(3). In addition, the Organization has been approved under Internal Revenue Code for recognition as a public charity and not as a private foundation. As of June 30, 2019, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the combined financial statements. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress.

Concentrations of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. These are identified as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions. The Federal Deposit Insurance Corporation insures up to \$250,000 for all accounts held at a single institution. As of June 30, 2019, the Organization's cash accounts were fully insured.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

2. Availability and Liquidity

The following represents the Organization's financial assets at June 30, 2019:

Cash and Cash Equivalents	\$ 495,184
Federal Grant/Wounded Warrior Service Dog Program Receivable	230,315
Tractor Supply/4health Gift Card Inventory	39,179
Investments	<u>27,706</u>
 Total Financial Assets	 792,384
 Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:	
Net Assets with Donor Restrictions	<u>(269,494)</u>
 Financial Assets Available to Meet General Expenditures over the Next Twelve Months	 <u>\$ 522,890</u>

Although the Organization does not have a formal liquidity policy, it generally maintains approximately three months of operating expenses in its reserves.

3. Investments

The Organization's investments consist of stocks and precious metals recorded at market value as of June 30, 2019:

	Market Value	Cost	
Precious Metals	\$ 19,033	\$ 18,741	
Common Stock	<u>8,673</u>	<u>5,509</u>	
 Total	 <u>\$ 27,706</u>	 <u>\$ 24,250</u>	

The following schedule summarizes the investment returns on investment accounts for the year ended June 30, 2019:

Interest and Dividends	\$ 187
Unrealized Gain on Investments	<u>2,594</u>
 Investment Returns	 <u>\$ 2,781</u>

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

4. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs have the lowest priority.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Organization uses Level 2 inputs when market prices are not attainable but other observable inputs are available to arrive at a fair value, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available. The Organization's investments are considered Level 1 investments.

Level 1 Fair Value Measurements

The fair value of precious metals and common stock is based on quoted net asset values of the shares held by the Organization at year-end.

5. Notes Payable

On May 25, 2018, the Organization entered into a note payable with a financial institution. The note payable requires monthly principal and interest payments of \$8,136 and bears interest at a fixed rate of 5.25%. All unpaid interest and principal are due upon maturity in May 2023. The note is secured by the real property and all improvements. The outstanding balance at June 30, 2019 was \$1,162,415.

On May 8, 2019, the Organization entered into a financing agreement for the purchase of equipment with Kubota Corporation. The agreement requires monthly principal payments of \$360 and bears no interest. All unpaid principal is due upon maturity in May 2023. The outstanding balance at June 30, 2019 was \$16,904.

Maturities of the note payable for the years ending June 30 are as follows:

2020	\$	41,867
2021		43,886
2022		46,015
2023		1,047,550
Unamortized Debt Issuance Costs		<u>(7,193)</u>
Total	\$	<u>1,172,125</u>

The carrying value of assets securing the note are \$1,612,094 at June 30, 2019.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. In-Kind Contributions

Goods and Services

The Organization is dependent upon in-kind contributions in the form of donated goods and personal services. Donated goods are recorded as contributions at the date of the donation and are expenses when the donated goods are placed into service or distributed.

Donated personal services are provided by a substantial number of volunteers, students in the UNC Wilmington/paws4people Service Dog Training Program (SDTP), and inmate trainers in the paws4prisons Program in the course of and support of the Organization's operations and programs. The majority of those contributed services meet the criteria for recognition in the financial statements. Accounting principles generally accepted in the United States ("U.S. GAAP") allows recognition of contributed services if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Management has determined that donated services with an estimated fair value of \$5,763,308 for the year ended June 30, 2019 met the criteria and are included in in-kind contributions in the statement of activities.

Canines

The Organization spends approximately two years to raise, train, place, and certify a Service Dog or Facility Dog with a Client or Handler.

The Organization spends between one and two years raising, training, and placing an Emotional Support Dog with Handler and a Breeding Dog with a Custodian.

The Organization spends 4 months to a year to train dogs placed as pets with Custodians.

The cost to raise, train, and place Service Dogs, Facility Dogs, Emotional Support Dogs, and Breeding Dogs is capitalized and depreciated over the eight year service life of each Dog beginning at conditional custody placement of that Dog. The cost of food, housing, veterinary services, medication, grooming, training aids such as collars and leashes, and annual re-certifications (Service Dogs and Facility Dogs only) are considered incidental to the cost of training and are expensed as incurred.

The cost to raise, train, and place a dog placed as a pet is capitalized and depreciated over a three year contractual term. Ownership is transferred to the Custodian at the end of the three year placement term. The cost of food, housing, veterinary services, medication, grooming, and training aids such as collars and leashes are considered incidental to the cost of training and are expensed as incurred.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. In-Kind Contributions (Continued)

Canines (Continued)

Acquisition, whelping, and Puppy Development training costs (first 5 months of the canine's life) range from \$8,059 to \$12,188 per canine depending upon whether the canine was bred within the Organization's Breeding Program or received through donation or acquisition from a specially chosen breeder. For the next 5-15 months, the canines undergo obedience and skills training in the paws4prisons Program. In months 16-24, the Dogs receive Public Access Training, the majority of which is accomplished through the UNCW/paws4people Service Dog Training Program (SDTP).

During months 18-24, Clients and Service Dogs In-Training participate in the Organization's proprietary process known as Intervention Transfer TrainingSM during which the Client learns to utilize his/her Service Dog In-Training to control, regulate, and mitigate[®], his/her disability symptom set.

Service Dogs are trained to provide highly specialized and customized service to mitigate the effects of an individual's physical, neurological, psychological, or other medical related disability or disabilities. The Service Dog provides help in conducting everyday life skills, thus enabling the Client to perform more independently than they otherwise would without a Service Dog.

Facility Dogs are trained for placement with professionals and volunteers who use the Dog in workplace or volunteer settings to provide animal assisted interventions, which are designed to promote improvement in physical, social, emotional, and/or cognitive functioning of the individual(s) involved and in which the Handler-Facility Dog Team is an integral part.

Handler Training is the process whereby each Handler learns to utilize and integrate his/her Facility Dog In-Training into the professional/volunteer services and workplace/volunteer setting(s) to provide animal assisted interventions.

Service Dogs and Facility Dogs receive at least 2,100 hours of training at hourly rates ranging from \$3.75 for paws4prison Program inmate trainers to \$75 for the Organization's certified staff trainers. The cost to train each Service Dog ranges from \$62,589 to \$64,361 depending on the Dog's certification. The cost to train each Facility Dog is \$60,391.

Emotional Support Dogs are trained to provide emotional support to Handlers within their own homes and other canine-friendly environments. Emotional Support Dogs receive between 240 and 1,200 hours of training at hourly rates ranging from \$3.75 for paws4prisons Program inmate trainers to \$75 for the Organization's certified staff trainers. Due to the variation in the number of hours trained, the cost to train an Emotional Support Dog ranges from \$25,151 to \$55,502.

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

6. In-Kind Contributions (Continued)

Canines (Continued)

The Organization also trains Breeding Dogs. Breeding Dogs receive training at hourly rates ranging from \$3.75 for paws4prisons Program inmate trainers to \$75 for the Organization's certified staff trainers. The cost associated with Breeding Dogs is \$55,502 per dog.

Due to the variation in the age at placement (puppy or adult) and the number of hours trained before placement, the cost associated with dogs placed as pets ranges from \$9,712 to \$25,151 per pet.

The Organization retains sole ownership rights for the lifetime of each Service Dog, Facility Dog, Emotional Support Dog, and Breeding Dog, respectively.

A Client or Handler may request ownership rights to a Service Dog or Facility Dog after retirement of the Dog. paws4people will determine in its sole discretion whether and under what circumstances to transfer ownership rights of the Dog after his/her retirement.

A Handler may request ownership rights to an Emotional Support Dog after eight years of conditional custody placement. paws4people will determine in its sole discretion whether and under what circumstances to transfer ownership rights of the Dog.

A Custodian may request ownership rights to a Breeding Dog after he/she is neutered/spayed. paws4people will determine in its sole discretion whether and under what circumstances to transfer ownership rights of the Dog.

As of fiscal year ended June 30, 2019, the Organization had a total of 78 canines in training and 212 canines under post-placement management. Of the 212 canines under post-placement management: 144 are Assistance Dogs; 40 are Emotional Support Dogs; 16 are Facility Dogs; 7 are Breeding Dogs; and 5 are Pets.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Subject to Time Restrictions:	
Federal Grant Receivable, the Proceeds from Which have been Restricted by Donors for Wounded Warrior Service Dog Program	\$ 230,315
Subject to Expenditure for Specified Purpose:	
Tractor Supply – Canine Food	<u>39,179</u>
Total	<u>\$ 269,494</u>

paws4people, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

8. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:	
Federal Grant – Wounded Warrior	
Service Dog Program	\$ 330,316
Tractor Supply – Canine Food	<u>821</u>
	331,137
Satisfaction of Time Restrictions:	
Pledge Receivable	<u>25,000</u>
Total	<u>\$ 356,137</u>

9. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 11, 2019, which is the date the financial statements were available to be issued, and has determined there was nothing significant.

Thomas, Judy & Tucker, P.A.
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees
paws4people, Inc.
Wilmington, North Carolina

We have audited the financial statements of paws4people, Inc. as of and for the year ended June 30, 2019, and our report thereon dated December 11, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on Schedule 1, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Thomas, Judy & Tucker, P.A.

December 11, 2019
Durham, North Carolina

paws4people, Inc.
SCHEDULE OF COST AND APPRAISED VALUE
June 30, 2019

	<u>Cost Basis</u>	<u>Appraised Value</u>
Property and Equipment:		
Land	\$ 603,789	\$ 842,342
Buildings and Improvements	981,839	1,725,979
Furniture and Equipment	33,521	27,230
Vehicles	94,784	38,450
	<u>\$ 1,713,933</u>	<u>\$ 2,634,001</u>