

CANINE PARTNERS OF THE ROCKIES, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CANINE PARTNERS OF THE ROCKIES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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April 22, 2024

INDEPENDENT AUDITORS' REPORT

Board of Directors
Canine Partners of the Rockies, Inc.
Aurora, Colorado

Opinion

We have audited the accompanying financial statements of **Canine Partners of the Rockies, Inc.**, (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canine Partners of the Rockies, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Canine Partners of the Rockies, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Canine Partners of the Rockies, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that,

individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Canine Partners of the Rockies, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canine Partners of the Rockies, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Canine Partners of the Rockies, Inc.'s December 31, 2022, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

CANINE PARTNERS OF THE ROCKIES, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 84,991	\$ 168,486
Accounts receivable	100	1,349
Prepaid expenses	9,402	4,435
Investments (Note 4)	3,220,068	2,983,161
Net property and equipment (Note 5)	2,987	-
Total assets	<u>\$ 3,317,548</u>	<u>\$ 3,157,431</u>
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	7,524	4,918
Accrued payroll expenses	11,905	19,222
Total liabilities	<u>19,429</u>	<u>24,140</u>
 <u>Net assets</u>		
Without donor restrictions	3,296,939	3,122,791
With donor restriction (Note 7)	1,180	10,500
Total net assets	<u>3,298,119</u>	<u>3,133,291</u>
Total liabilities and net assets	<u>\$ 3,317,548</u>	<u>\$ 3,157,431</u>

The accompanying notes are an integral part of these financial statements

CANINE PARTNERS OF THE ROCKIES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Investment income (Note 4)	\$ 381,975	\$ -	\$ 381,975	\$ (475,827)
Individual contributions	90,660	180	90,840	104,467
Foundations awards	61,450	25,000	86,450	126,824
Special events, net (Note 8)	30,081	-	30,081	-
Earned revenue	16,850	-	16,850	33,900
Corporate contributions	15,116	-	15,116	13,757
Employee retention credit	-	-	-	91,129
All other	22	-	22	-
In-kind contributions (Note 9)	7,846	-	7,846	1,087
Net assets released from restrictions (Note 10)	34,500	(34,500)	-	-
	638,500	(9,320)	629,180	(104,663)
<u>Expense</u>				
Program services	220,052	-	220,052	195,968
Supporting services				
Management and general	108,352	-	108,352	107,791
Fund-raising	135,948	-	135,948	127,701
	464,352	-	464,352	431,460
Change in net assets	174,148	(9,320)	164,828	(536,123)
Net assets, beginning of year	3,122,791	10,500	3,133,291	3,669,414
Net assets, end of year	\$ 3,296,939	\$ 1,180	\$ 3,298,119	\$ 3,133,291

The accompanying notes are an integral part of these financial statements

CANINE PARTNERS OF THE ROCKIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

<u>Description</u>	2023			2022	
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fund-raising</u>		
Salaries	\$ 124,740	\$ 16,914	\$ 69,770	\$ 211,424	\$ 192,680
Payroll taxes and benefit	17,622	2,390	9,856	29,868	24,922
Advertising and promotion	1,249	29,988	-	31,237	10,650
Canine operations	29,804	-	-	29,804	42,078
Fundraising event meals and entertainment	-	-	25,437	25,437	14,278
Professional services	424	16,974	3,819	21,217	22,493
Development and fundraising	-	-	16,967	16,967	25,279
Accounting services	-	15,695	-	15,695	13,511
Veterinary services	15,576	-	-	15,576	10,481
Rent	10,019	204	-	10,223	10,020
Utilities and janitorial	9,759	199	-	9,958	8,113
Office supplies	159	3,818	3,977	7,954	22,745
Insurance	2,207	3,601	-	5,808	4,028
Legal	-	5,393	-	5,393	-
Information technology	-	5,248	-	5,248	3,750
Facilities	2,472	50	2,523	5,045	3,393
Travel	5,039	-	-	5,039	3,122
Bank and credit card fees	181	90	2,742	3,013	2,165
Relocation	-	2,800	-	2,800	-
Telephone	-	1,683	-	1,683	1,804
Meals and entertainment	387	437	857	1,681	2,824
Miscellaneous	414	2,270	-	2,684	11,085
	220,052	107,754	135,948	463,754	429,421
Depreciation	-	598	-	598	2,039
Total	\$ 220,052	\$ 108,352	\$ 135,948	\$ 464,352	\$ 431,460

The accompanying notes are an integral part of these financial statements

CANINE PARTNERS OF THE ROCKIES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 164,828	\$ (536,123)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation	(2,987)	2,039
(Gain) loss on investment	(333,673)	519,797
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	1,249	4,975
(Increase)decrease in prepaid expense	(4,967)	(3,875)
Increase(decrease) in accounts payable	2,606	2,164
Increase(decrease) in accrued payroll expenses	(7,317)	11,600
Net cash provided(used) by operating activities	(180,261)	577
<u>Cash flows from investing activities</u>		
(Purchase) of investments	-	(38,421)
Proceeds from investments	145,000	100,000
(Reinvestment) of interest and dividends	(48,234)	(39,645)
Net cash provided(used) by investing activities	96,766	21,934
Net increase(decrease) in cash and cash equivalents	(83,495)	22,511
Cash and cash equivalents, beginning of year	168,486	145,975
Cash and cash equivalents, end of year	\$ 84,991	\$ 168,486
Supplemental disclosure of information:		
Interest expense	\$ 150	\$ -

The accompanying notes are an integral part of these financial statements

CANINE PARTNERS OF THE ROCKIES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1 - NATURE OF ACTIVITIES

Canine Partners of the Rockies, Inc. (the Organization) is a non-profit organization which was established in 2002 by four individuals with a passion for the human/canine connection. The objective of the Organization is to enable Coloradoans with disabilities to lead more independent and gratifying lives through training and partnering them with highly skilled service dogs. The Organization is supported primarily by investment income, individual contributions, and foundation support.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities 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 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 by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that 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.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

4. Revenue recognition

The Organization recognizes revenue from cost-reimbursable state grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract and grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. The Organization has elected to recognize revenue under conditional grants and contracts as revenue in net assets without donor restrictions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

5. Accounts Receivable

Accounts receivable represent amounts due for service dogs and are stated at the amount management expects to collect from outstanding balances. As of December 31, 2023, management has determined, based on historical experience and subsequent collections, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

6. Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the statement of financial position, and changes in fair value are reported in investment income in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned.

7. Fair Value Measurements

The Organization is subject to the provisions of the Fair Value Measurements and Disclosures accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

8. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

10. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

11. Leases

The Organization accounts for leases in accordance with Accounting Standards Update (ASU) No. 2016-02, *Leases (ASC 842)*, as amended. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization may have lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

12. Functional Reporting of Expenses

For the year ended December 31, 2023, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated are salaries, payroll taxes and benefits, and consulting expenses which are allocated based on estimates of time and effort.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

13. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2023, from which the summarized information was derived.

14. Subsequent Events

Management has evaluated subsequent events through April 22, 2024, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general operating expenditures within one year at December 31, 2023:

<u>Description</u>	<u>Amount</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 84,991
Accounts receivable	100
Investments	<u>3,220,068</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 3,305,159</u></u>

The Organization's goal is generally to maintain financial assets to meet 3 months of cash operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.

NOTE 4 - INVESTMENTS

The investments are valued using Level 1 measurements. Level 1 measurements for investments include those valued at fair market value based on quoted prices in active markets and other information generated by market transactions. Investments held by the Organization consisted of the following at December 31, 2023.

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities	\$ 1,652,392	\$ 1,966,982	\$ 314,590
Fixed income	956,495	969,417	12,922
Cash, CDs, and money funds	183,147	183,147	-
Mixed assets	75,000	85,428	10,428
Real Estate fund	<u>18,086</u>	<u>15,094</u>	<u>(2,992)</u>
Total	<u><u>\$ 2,885,120</u></u>	<u><u>\$ 3,220,068</u></u>	<u><u>\$ 334,948</u></u>

NOTE 4 - INVESTMENTS (Concluded)

Investment account activity is summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 78,149
Realized and unrealized gains(losses), net	333,673
Less: management fees	<u>(29,915)</u>
Total	<u>\$ 381,907</u>

In addition, the Organization generated \$68 in operating interest from cash and cash equivalents.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Leasehold improvements	\$ 14,832
Furniture, fixtures, and equipment	<u>9,021</u>
Total	23,853
Less: accumulated depreciation	<u>(20,866)</u>
Net property and equipment	<u>\$ 2,987</u>

Depreciation expense for the year was \$598.

NOTE 6 - LEASE COMMITMENT

The Organization leases office space from an unrelated party on a month-to-month basis. The lease may be terminated by either party with 30 days written notice. The lease requires monthly payments of \$852. For the year ended December 31, 2023, the Organization recorded rent expense of \$10,223.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Herbs Help scholarship program	\$ 1,000
Other	<u>180</u>
Total	<u>\$ 1,180</u>

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NOTE 8 - SPECIAL EVENTS

For the year, special events revenue consisted of:

<u>Description</u>	<u>Amount</u>
Special events revenue	\$ 50,529
Less: direct expenses	<u>(20,448)</u>
Total	<u>\$ 30,081</u>

Special events included a Bowties & Tails event with an auction. Direct special events expense consisted of items that are of direct benefit to the attendees. The Organization received non-cash contributions of \$15,984 in donated items for auctions which are included in special events revenue and expense at the amounts received.

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected in the accompanying financial statements at the estimated value at date of receipt. The value of services included in the financial statements and the corresponding expenses for the year are as follows:

<u>Description</u>	<u>Revenue Recognized</u>	<u>Utilization in Program/ Activities</u>	<u>Donor Restriction</u>	<u>Valuation Techniques and Inputs</u>
Dog donaton and breeding services	\$ 3,450	Programs	No associated donor restrictions	Estimate of the fair market value of animal and services.
Travel	3,233	Programs	No associated donor restrictions	Estimate of the fair market value of services.
Veterinary care and supplies	1,047	Programs	No associated donor restrictions	Estimate of the fair market value of services.
Facility rentals	116	Management and general	No associated donor restrictions	Estimate of the fair market value of services.
Total	<u>\$ 7,846</u>			

NOTE 9 - IN-KIND CONTRIBUTIONS (Concluded)

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received approximately 41,477 volunteer service hours not requiring professional level skills, consisting primarily of puppy trainers who provided 24/7 training services, valued at \$1,318,969. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purpose:

<u>Description</u>	<u>Amount</u>
Mobility assistance dogs	\$ 25,000
Herbs Help scholarship program	<u>9,500</u>
Total	<u>\$ 34,500</u>

NOTE 11 - RETIREMENT PLAN

The Organization offers a 401K retirement plan for all employees. The Organization will contribute 100% of the employee's contributed amount to the plan, up to a maximum of 3% of the employee's compensation. Employees vest on a standard 5-year vesting schedule for the employer matching contribution as follows: - less than a year- 0%, 1 year- 20%, 2 year- 40%, 3 year- 60%, 4 year-80%, 5 year- 100% starting from an employee's start date with the Organization. The Organization's contributions to the plan for the year ended December 31, 2023, were \$4,723.