

PATRIOT PAWS SERVICE DOGS
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016

**PATRIOT PAWS SERVICE DOGS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Patriot Paws Service Dogs
Rockwall, Texas

We have audited the accompanying financial statements of Patriot Paws Service Dogs, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Board of Directors
Patriot Paws Service Dogs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Patriot Paws Service Dogs as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Dallas, Texas
June 20, 2018

**PATRIOT PAWS SERVICE DOGS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,482,002	\$ 1,210,280
Investments	22,924	25,404
Pledges Receivable, Current	15,500	15,500
Prepaid Expenses	42,634	20,913
Total Current Assets	1,563,060	1,272,097
OTHER ASSETS		
Cash Restricted for Long-Term Purpose	40,657	546,468
Property and Equipment, Net	3,283,353	2,548,449
Pledges Receivable, Noncurrent	-	13,580
Security Deposits and Other	2,783	2,338
Total Other Assets	3,326,793	3,110,835
Total Assets	\$ 4,889,853	\$ 4,382,932
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 20,289	\$ 98,019
Accrued Expenses	219,897	154,928
Current Portion Long-Term Debt	117,226	73,541
Total Current Liabilities	357,412	326,488
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	757,657	627,142
Debt Issuance Costs, Unamortized Portion	(11,213)	(12,866)
Total Long-Term Liabilities	746,444	614,276
Total Liabilities	1,103,856	940,764
NET ASSETS		
Unrestricted Net Assets	3,562,223	2,867,244
Temporarily Restricted Net Assets	223,774	574,924
Total Net Assets	3,785,997	3,442,168
Total Liabilities and Net Assets	\$ 4,889,853	\$ 4,382,932

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Contributions:						
Cash	\$ 1,614,117	\$ 180,420	\$ 1,794,537	\$ 1,395,314	\$ 12,580	\$ 1,407,894
In-Kind	130,581	-	130,581	159,113	-	159,113
Subtotal Contributions	<u>1,744,698</u>	<u>180,420</u>	<u>1,925,118</u>	<u>1,554,427</u>	<u>12,580</u>	<u>1,567,007</u>
Miscellaneous Interest and Fees	1,030	267	1,297	1,760	1,979	3,739
Sponsorships	43,970	-	43,970	18,533	-	18,533
Other Income	-	-	-	6,736	-	6,736
Net Assets Released from Restrictions	531,837	(531,837)	-	1,188,585	(1,188,585)	-
Total Support and Revenues	<u>2,321,535</u>	<u>(351,150)</u>	<u>1,970,385</u>	<u>2,770,041</u>	<u>(1,174,026)</u>	<u>1,596,015</u>
EXPENSES						
Salaries	929,528	-	929,528	900,866	-	900,866
Professional Fees	12,557	-	12,557	16,506	-	16,506
Rent, Utilities, Tax, and Maintenance	50,677	-	50,677	79,195	-	79,195
Office Expense	145,191	-	145,191	109,882	-	109,882
Depreciation and Amortization	106,442	-	106,442	76,229	-	76,229
Travel	89,338	-	89,338	104,114	-	104,114
Advertising	47,227	-	47,227	35,460	-	35,460
General Supplies	22,639	-	22,639	16,725	-	16,725
Veterinary Care	83,568	-	83,568	62,843	-	62,843
Animal Related Expenses	96,831	-	96,831	116,110	-	116,110
Book and Reference Materials	1,938	-	1,938	6,876	-	6,876
Interest	40,620	-	40,620	40,500	-	40,500
Total Expenses	<u>1,626,556</u>	<u>-</u>	<u>1,626,556</u>	<u>1,565,306</u>	<u>-</u>	<u>1,565,306</u>
INCREASE (DECREASE) IN NET ASSETS	694,979	(351,150)	343,829	1,204,735	(1,174,026)	30,709
Net Assets - Beginning of Year	<u>2,867,244</u>	<u>574,924</u>	<u>3,442,168</u>	<u>1,662,509</u>	<u>1,748,950</u>	<u>3,411,459</u>
NET ASSETS - END OF YEAR	<u>\$ 3,562,223</u>	<u>\$ 223,774</u>	<u>\$ 3,785,997</u>	<u>\$ 2,867,244</u>	<u>\$ 574,924</u>	<u>\$ 3,442,168</u>

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 343,829	\$ 30,709
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	106,442	76,229
Amortization of Discount on Promises to Give	(1,420)	(2,580)
Donated Equipment	(11,945)	(24,692)
Donated Stock	(22,424)	(24,871)
Gain on Disposal of Property & Equipment	-	(6,736)
Amortization of Debt Issuance Costs	1,653	1,653
Changes in Operating Assets and Liabilities:		
Prepaid Expenses	(21,721)	(8,797)
Pledges Receivable	15,000	315,000
Other Assets	(445)	7,816
Accounts Payable	(77,730)	81,480
Accrued Expenses	64,969	139,670
Contributions Restricted for Long-Term Purpose	-	(310,500)
Net Cash Provided by Operating Activities	396,208	274,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(564,681)	(1,364,656)
Proceeds from Disposal of Property and Equipment	-	30,436
Proceeds from Sales of Investments	24,904	1,021
Proceeds from Contributions Restricted for Long-Term Purpose	-	310,500
Net Cash (Used) by Investing Activities	(539,777)	(1,022,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(90,520)	(68,550)
Net Cash (Used) by Financing Activities	(90,520)	(68,550)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(234,089)	(816,868)
Cash and Cash Equivalents - Beginning of Year	1,756,748	2,573,616
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,522,659	\$ 1,756,748
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	\$ 38,967	\$ 38,847
NONCASH FINANCING AND INVESTING ACTIVITIES		
In-Kind Donations	\$ 130,581	\$ 159,113
Assets Acquired through Debt Issuance	\$ 264,720	\$ -

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 810,864	\$ 37,344	\$ 81,320	\$ 929,528
Professional Fees	-	12,557	-	12,557
Rent, Utilities, Tax, and Maintenance	44,820	5,857	-	50,677
Office Expense	92,250	52,941	-	145,191
Depreciation and Amortization	95,799	10,643	-	106,442
Travel	84,660	4,678	-	89,338
Advertising	14,661	-	32,566	47,227
General Supplies	19,377	3,262	-	22,639
Veterinary Care	83,568	-	-	83,568
Animal Related Expenses	96,831	-	-	96,831
Book and Reference Materials	1,938	-	-	1,938
Interest	35,070	5,550	-	40,620
	<u>\$ 1,379,838</u>	<u>\$ 132,832</u>	<u>\$ 113,886</u>	<u>\$ 1,626,556</u>
Total Expense	<u>\$ 1,379,838</u>	<u>\$ 132,832</u>	<u>\$ 113,886</u>	<u>\$ 1,626,556</u>

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 770,427	\$ 39,618	\$ 90,821	\$ 900,866
Professional Fees	-	16,506	-	16,506
Rent, Utilities, and Maintenance	73,191	6,004	-	79,195
Office Expense	89,103	20,779	-	109,882
Depreciation and Amortization	36,064	40,165	-	76,229
Travel	97,201	6,913	-	104,114
Advertising	3,474	-	31,986	35,460
General Supplies	15,243	1,482	-	16,725
Veterinary Care	62,843	-	-	62,843
Animal Related Expenses	116,110	-	-	116,110
Book and Reference Materials	6,876	-	-	6,876
Interest	34,962	5,538	-	40,500
	<u>\$ 1,305,494</u>	<u>\$ 137,005</u>	<u>\$ 122,807</u>	<u>\$ 1,565,306</u>
Total Expense	<u>\$ 1,305,494</u>	<u>\$ 137,005</u>	<u>\$ 122,807</u>	<u>\$ 1,565,306</u>

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Patriot Paws Service Dogs (the Organization) was incorporated in 2005 to be operated as a charitable organization. The Organization's mission is to train service dogs that will enhance the lives of disabled veterans and other Americans with mobile disabilities.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Net Asset Classification

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At December 31, 2017 and 2016, cash and cash equivalents were in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Management is aware and believes the risk of loss to be remote.

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment purchases are recorded at cost. Contributed items are recorded at fair market value at date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is recorded through the use of the straight-line method over the estimated useful life of the asset. Items costing or valued over \$500 are capitalized.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method, a method which approximates the effective interest rate method. At December 31, 2017 and 2016, deferred financing costs were \$16,530. At December 31, 2017 and 2016, accumulated amortization of deferred financing costs was \$5,317 and \$3,664, respectively. Amortization expense related to the deferred financing costs was \$1,653 and \$1,653, respectively.

Donated Services, Materials, and Rent

Contributions of noncash assets (materials and rent) are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

The Organization has received the following in-kind donations for the years ended December 31:

	<u>Valuation Method</u>	<u>2017</u>
Veterinary Services	Rates Charged for Similar Services	\$ 24,002
Dogs, Dog Equipment, Food, Medication	Fair Market Value	65,965
Furniture, Leasehold Improvements	Fair Market Value	9,751
Stock	Fair Market Value	22,424
Miscellaneous	Fair Market Value	3,430
Software	Fair Market Value	2,208
Meals	Cost of Meal Provided	2,134
Legal Services	Rates Charged for Similar Services	316
Office Supplies	Fair Market Value	271
Painting	Fair Market Value	80
Total In-Kind Contributions		<u>\$ 130,581</u>

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services, Materials and Rent (Continued)

	<u>Valuation Method</u>	<u>2016</u>
Veterinary Services	Rates Charged for Similar Services	\$ 19,558
Dogs, Dog Equipment, Food, Medication	Fair Market Value	81,894
Equipment, Fencing, Flooring	Fair Market Value	17,230
Stock	Fair Market Value	24,871
Miscellaneous	Fair Market Value	3,144
Gift Cards	Gift Card Value	460
Meals	Cost of Meal Provided	3,641
Legal Services	Rates Charged for Similar Services	253
Printing	Fair Market Value	362
Vehicle	Fair Market Value	7,700
Total In-Kind Contributions		<u>\$ 159,113</u>

All of the donated materials are program in nature and reflected in the functional expenses as such. A large number of volunteers support the Organization's operations. These services are not reflected in the financial statements because they do not meet the requirement for recording of services in accordance with accounting principles generally accepted in the United States of America as they neither 1) enhance the value of a nonfinancial asset nor 2) are provided by a professional within their profession.

Functional Allocation of Expense

Salaries and related expenses are allocated based on employee job description and estimated time spent on the function. Expenses, other than salaries and related expenses, which are not directly identifiable by function, are allocated based on the best estimates of management.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates used.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended December 31, 2017 and 2016 were \$47,227 and \$35,460, respectively.

Income Tax

The Organization has tax exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During 2017 and 2016, the Organization's evaluation did not identify any uncertain tax positions.

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 20, 2018, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments consist of the following as of December 31:

	2017	2016
Equity Securities	\$ 22,424	\$ 19,813
Mutual Funds	-	5,057
Money Market Funds	500	534
	<u>\$ 22,924</u>	<u>\$ 25,404</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return on investments and interest-bearing cash equivalents consisted of \$1,297 and \$3,739 of interest as of the years ended December 31, 2017 and 2016, respectively.

NOTE 3 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Organization follows the accounting policy which measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (*Level 1*) and the lowest priority to unobservable inputs (*Level 3*). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value. The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access as of the measurement date.

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Assets measured at fair value as of December 31, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity Securities	\$ 22,424	\$ -	\$ -	\$ 22,424
Total Investments Measured at Fair Value	<u>\$ 22,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,424</u>
Money Market Funds Measured at Cost				500
Total Investments				<u>\$ 22,924</u>

Assets measured at fair value as of December 31, 2016 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equity Securities	\$ 19,813	\$ -	\$ -	\$ 19,813
Mutual Funds	5,057	-	-	5,057
Total Investments Measured at Fair Value	<u>\$ 24,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,870</u>
Money Market Funds Measured at Cost				534
Total Investments				<u>\$ 25,404</u>

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31 is as follows:

	2017	2016
Land	\$ 183,720	\$ 183,720
Building	3,028,100	826,280
Furniture and Equipment	87,922	73,269
Vehicles	150,915	150,915
Leasehold Improvements	59,280	26,963
Construction in Progress	-	1,421,728
Less: Accumulated Depreciation	(226,584)	(134,426)
Total	<u>\$ 3,283,353</u>	<u>\$ 2,548,449</u>

NOTE 5 LONG-TERM DEBT

In May 2014, the Organization financed the purchase of a building property adjacent to its current location for future expansion. In September 2015, the Organization financed the purchase of a building and property adjacent to its current location for future expansion. During 2016 and 2017, the Organization financed construction costs for its facilities expansion. Long-term debt at December 31, 2017 consisted of the following:

	Principal	Unamortized Debt Issuance Costs
5.1% mortgage loan, due May 2024, collateralized by property located at 254/272 Ranch Trail with a net book value of \$464,220	\$ 347,886	\$ 7,687
5.1% mortgage loan, due September 2025, collateralized by property located at 302 Ranch Trail with a net book value of \$296,346	280,482	3,526
5.1% construction loan, due June 2023, collateralized by a real estate lien on property located at 254 Ranch Trail with a net book value of \$1,977,518	246,515	-
	<u>\$ 874,883</u>	<u>\$ 11,213</u>

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 LONG-TERM DEBT (CONTINUED)

The following schedule outlines future principle amounts due on the notes:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 117,226
2019	123,197
2020	129,636
2021	136,460
2022	143,619
Thereafter	224,745
Total Long-Term Debt	<u><u>\$ 874,883</u></u>

Total interest paid including amortization of debt issuance costs on the mortgages was \$40,620 and \$40,500 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets of the Organization consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Capital Campaign	\$ 40,533	\$ 546,344
General Mission Purpose - Time Restricted	15,000	28,580
Medical Room	117,016	-
Brick Yard	25,477	-
"Fallin" Sponsorship	20,556	-
April Graduation	5,192	-
Total	<u><u>\$ 223,774</u></u>	<u><u>\$ 574,924</u></u>

NOTE 7 OPERATING LEASES

The Organization leased office space and two apartments. The leases require monthly payments of \$3,150. For the years ended December 31, 2017 and 2016, total rent expense related to the lease was \$-0- and \$13,950, respectively. There are no future obligations under this lease as each one was terminated during the year ended December 31, 2016.

NOTE 8 RELATED PARTY TRANSACTIONS

The Organization receives veterinary services from Country Friends Veterinary Clinic where a board member works. Amounts paid to the clinic were \$22,559 and \$16,837, and amounts donated by the clinic were \$19,362 and \$16,969 for the years ended December 31, 2017 and 2016, respectively.

**PATRIOT PAWS SERVICE DOGS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 COMMITMENTS AND CONTINGENCIES

As of December 31, 2017, the Organization was committed to a general contractor for the construction of additional facilities on the campus as follows:

	<u>Amount</u>
Total Contract	\$ 2,029,348
Less: Balance Paid on Contract	(1,826,413)
Less: Contract Payable	-
Outstanding Commitment, Including Retainage	<u><u>\$ 202,935</u></u>