

**PATRIOT PAWS SERVICE DOGS**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019, 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, 2020 and 2019, 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**

Fort Worth, Texas  
October 28, 2021

**PATRIOT PAWS SERVICE DOGS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,335,474	\$ 1,812,741
Investments	3,132	2,117
Pledges Receivable, Current	107,986	69,057
Prepaid Expenses	44,476	45,013
Total Current Assets	2,491,068	1,928,928
<b>OTHER ASSETS</b>		
Property and Equipment, Net	3,225,504	3,307,890
Security Deposits and Other	3,493	3,568
Total Other Assets	3,228,997	3,311,458
Total Assets	\$ 5,720,065	\$ 5,240,386
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 11,777	\$ 12,467
Accrued Expenses	23,763	23,772
Current Portion Long-Term Debt	137,097	130,294
Total Current Liabilities	172,637	166,533
<b>LONG-TERM LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	375,166	511,582
Debt Issuance Costs, Unamortized Portion	(6,254)	(7,907)
Total Long-Term Liabilities	368,912	503,675
Total Liabilities	541,549	670,208
<b>NET ASSETS</b>		
Without Donor Restrictions	5,099,544	4,546,490
With Donor Restrictions	78,972	23,688
Total Net Assets	5,178,516	4,570,178
Total Liabilities and Net Assets	\$ 5,720,065	\$ 5,240,386

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>						
Contributions:						
Cash	\$ 2,159,345	\$ 64,950	\$ 2,224,295	\$ 2,482,567	\$ 18,650	\$ 2,501,217
In-Kind	121,711	-	121,711	89,978	-	89,978
Subtotal Contributions	<u>2,281,056</u>	<u>64,950</u>	<u>2,346,006</u>	<u>2,572,545</u>	<u>18,650</u>	<u>2,591,195</u>
Miscellaneous Interest and Fees	2,358	-	2,358	3,941	1	3,942
Sponsorships	1,245	-	1,245	81,807	-	81,807
Paycheck Protection Program - See Note 11	229,100	-	229,100	-	-	-
Net Assets Released from Restrictions	9,666	(9,666)	-	108,441	(108,441)	-
Total Support and Revenues	<u>2,523,425</u>	<u>55,284</u>	<u>2,578,709</u>	<u>2,766,734</u>	<u>(89,790)</u>	<u>2,676,944</u>
<b>EXPENSES</b>						
Salaries	1,076,111	-	1,076,111	1,145,571	-	1,145,571
Professional Fees	12,694	-	12,694	51,156	-	51,156
Rent, Utilities, Tax, and Maintenance	94,335	-	94,335	88,775	-	88,775
Office Expense	171,868	-	171,868	159,788	-	159,788
Depreciation and Amortization	185,713	-	185,713	189,927	-	189,927
Travel	46,685	-	46,685	100,543	-	100,543
Advertising	37,399	-	37,399	51,591	-	51,591
General Supplies	21,099	-	21,099	43,315	-	43,315
Veterinary Care	106,344	-	106,344	82,991	-	82,991
Animal Related Expenses	154,264	-	154,264	145,068	-	145,068
Book and Reference Materials	2,131	-	2,131	5,399	-	5,399
Interest	31,213	-	31,213	37,677	-	37,677
Bad Debt Expense	30,515	-	30,515	-	-	-
Total Expenses	<u>1,970,371</u>	<u>-</u>	<u>1,970,371</u>	<u>2,101,801</u>	<u>-</u>	<u>2,101,801</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	553,054	55,284	608,338	664,933	(89,790)	575,143
Net Assets - Beginning of Year	<u>4,546,490</u>	<u>23,688</u>	<u>4,570,178</u>	<u>3,881,557</u>	<u>113,478</u>	<u>3,995,035</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,099,544</u>	<u>\$ 78,972</u>	<u>\$ 5,178,516</u>	<u>\$ 4,546,490</u>	<u>\$ 23,688</u>	<u>\$ 4,570,178</u>

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 608,338	\$ 575,143
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	185,713	189,927
Amortization of Discount on Promises to Give	-	(1,420)
Donated Equipment	(7,772)	(6,235)
Donated Securities	(1,062)	(41,015)
Realized/Unrealized (Gain) Loss on Investments	47	(2,138)
Amortization of Debt Issuance Costs	1,653	1,653
Changes in Operating Assets and Liabilities:		
Prepaid Expenses	537	(6,148)
Pledges Receivable	(38,929)	(11,798)
Other Assets	75	(940)
Accounts Payable	(690)	(5,811)
Accrued Expenses	(9)	(82,875)
Net Cash Provided by Operating Activities	747,901	608,343
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(95,555)	(157,823)
Proceeds from Sales of Investments	-	41,537
Net Cash Used by Investing Activities	(95,555)	(116,286)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(129,613)	(123,184)
Net Cash Used by Financing Activities	(129,613)	(123,184)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	522,733	368,873
Total Cash and Cash Equivalents - Beginning of Year	1,812,741	1,443,868
<b>TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,335,474	\$ 1,812,741
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest Paid	\$ 29,560	\$ 36,024
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
In-Kind Donations	\$ 121,711	\$ 89,978

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 913,198	\$ 60,165	\$ 102,748	\$ 1,076,111
Professional Fees	-	12,694	-	12,694
Rent, Utilities, Tax, and Maintenance	85,338	8,997	-	94,335
Office Expense	105,144	65,788	936	171,868
Depreciation and Amortization	167,142	18,571	-	185,713
Travel	35,412	11,273	-	46,685
Advertising	8,571	-	28,828	37,399
General Supplies	15,014	6,085	-	21,099
Veterinary Care	106,344	-	-	106,344
Animal Related Expenses	154,264	-	-	154,264
Book and Reference Materials	2,131	-	-	2,131
Interest	26,604	4,609	-	31,213
Bad Debt Expense	-	30,515	-	30,515
 Total Expense	 <u>\$ 1,619,162</u>	 <u>\$ 218,697</u>	 <u>\$ 132,512</u>	 <u>\$ 1,970,371</u>

See accompanying Notes to Financial Statements.



**PATRIOT PAWS SERVICE DOGS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 995,659	\$ 31,285	\$ 118,627	\$ 1,145,571
Professional Fees	-	51,156	-	51,156
Rent, Utilities, Tax, and Maintenance	80,147	8,628	-	88,775
Office Expense	91,513	68,275	-	159,788
Depreciation and Amortization	170,934	18,993	-	189,927
Travel	85,058	15,485	-	100,543
Advertising	15,039	-	36,552	51,591
General Supplies	39,189	4,126	-	43,315
Veterinary Care	82,991	-	-	82,991
Animal Related Expenses	145,068	-	-	145,068
Book and Reference Materials	5,399	-	-	5,399
Interest	32,421	5,256	-	37,677
	<u>\$ 1,743,418</u>	<u>\$ 203,204</u>	<u>\$ 155,179</u>	<u>\$ 2,101,801</u>
Total Expense	<u>\$ 1,743,418</u>	<u>\$ 203,204</u>	<u>\$ 155,179</u>	<u>\$ 2,101,801</u>

See accompanying Notes to Financial Statements.

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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:

**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, 2020 and 2019, 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.

**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, 2020 and 2019, deferred financing costs were \$16,530. At December 31, 2020 and 2019, accumulated amortization of deferred financing costs was \$10,276 and \$8,623, respectively. Amortization expense related to the deferred financing costs was \$1,653 at December 31, 2020 and 2019.

**Net Asset Classification**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has none with perpetual restrictions as of December 31, 2020. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on 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 statements of activities as Net Assets Released from Restrictions.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. During the years ended December 31, 2020 and 2019, the Organization did not received conditional promises to give.

**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>2020</u>
Veterinary Services	Rates Charged for Similar Services	\$ 43,909
Dogs, Dog Equipment, Food, Medication	Fair Market Value	67,517
Furniture, Equipment	Fair Market Value	7,772
Rent, Storage	Current Market Rental Rates	959
Legal Services	Rates Charged for Similar Services	265
Supplies	Fair Market Value	1,039
Vehicles	Fair Market Value	250
Total In-Kind Contributions		<u>\$ 121,711</u>

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services, Materials and Rent (Continued)**

	<u>Valuation Method</u>	<u>2019</u>
Veterinary Services	Rates Charged for Similar Services	\$ 17,206
Dogs, Dog Equipment, Food, Medication	Fair Market Value	57,427
Furniture, Equipment	Fair Market Value	6,235
Repairs & Maintenance	Rates Charged for Similar Services	2,367
Meals	Cost of Meal Provided	1,632
Rent, Storage	Current Market Rental Rates	1,169
Legal Services	Rates Charged for Similar Services	84
Supplies	Fair Market Value	3,581
Painting	Rates Charged for Similar Services	<u>277</u>
Total In-Kind Contributions		<u>\$ 89,978</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.

**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, 2020 and 2019 were \$37,399 and \$51,591, 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 2020 and 2019, the Organization's evaluation did not identify any uncertain tax positions.

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance on a modified retrospective basis beginning in 2020. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2021, the date the financial statements were available to be issued.

On March 17, 2021 the Organization received a loan of \$205,618 to fund payroll, rent, and utilities as a Paycheck Protection Program (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of sixty months, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then the payment of principal and interest shall begin on that date. The covered period of the loan is from March 17, 2021 to September 5, 2021.

**NOTE 2 INVESTMENTS**

Investments consist of the following as of December 31:

	2020	2019
Equity Securities	\$ 2,047	\$ 1,071
Money Market Funds	1,085	1,046
	<u>\$ 3,132</u>	<u>\$ 2,117</u>

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 INVESTMENTS (CONTINUED)**

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.

**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.

*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.

The fair values of assets measured on a recurring basis as of December 31 are as follows:

	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Securities	\$ 2,047	\$ -	\$ -	\$ 2,047
Total Investments				
Measured at Fair Value	<u>\$ 2,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,047</u>
Money Market Funds				
Measured at Cost				1,085
Total Investments				<u>\$ 3,132</u>

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity Securities	\$ 1,071	\$ -	\$ -	\$ 1,071
Total Investments Measured at Fair Value	\$ 1,071	\$ -	\$ -	\$ 1,071
Money Market Funds Measured at Cost				1,046
Total Investments				\$ 2,117

**NOTE 4 PROPERTY AND EQUIPMENT**

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

	2020	2019
Land	\$ 183,720	\$ 183,720
Building	3,113,244	3,106,682
Furniture and Equipment	185,065	194,202
Vehicles	176,833	171,717
Leasehold Improvements	96,649	102,169
Construction in Progress	-	-
Less: Accumulated Depreciation	(530,007)	(450,600)
Total	\$ 3,225,504	\$ 3,307,890

**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.

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 5 LONG-TERM DEBT (CONTINUED)**

Long-term debt at December 31, 2020 consisted of the following:

	<u>Principal</u>	<u>Unamortized Debt Issuance Costs</u>
5.1% mortgage loan, due May 2024, collateralized by property located at 254/272 Ranch Trail with a net book value of \$424,851	\$ 199,366	\$ 4,093
5.1% mortgage loan, due September 2025, collateralized by property located at 302 Ranch Trail with a net book value of \$272,155	183,380	2,161
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 \$2,008,926	129,517	-
	<u>\$ 512,263</u>	<u>\$ 6,254</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 137,097
2022	144,254
2023	132,959
2024	66,560
2025	31,393
Thereafter	-
Total Long-Term Debt	<u>\$ 512,263</u>

Total interest paid including amortization of debt issuance costs on the mortgages was \$31,213 and \$37,677 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

The net assets with donor restrictions of the Organization consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Brick Yard	\$ 14,222	\$ 10,788
Patriot Gardens	12,250	9,050
"Maggie" Sponsorship	-	3,850
"Flannel" Sponsorship	20,000	-
"Bodett" Sponsorship	16,250	-
"Millie" Sponsorship	16,250	-
Total	<u>\$ 78,972</u>	<u>\$ 23,688</u>



**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 7 RELATED PARTY TRANSACTIONS**

The Organization receives veterinary services from Country Friends Veterinary Clinic where a board member works. Amounts paid to the clinic were \$267 and \$2,667 and no amounts were donated in 2020 and 2019.

During the years ended December 31, 2020 and 2019, the Organization received contributions from board members and employees totaling \$9,103 and \$150, respectively. These amounts are included in contributions on the statement of activities.

The Organization received donated veterinary services of \$43,680 and \$15,600 from a board member for the years ended December 31, 2020 and 2019, respectively.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

In 2019, the Organization leased facilities to be used for certain programs until January 2020, with an option to extend for two terms of 12 months each. In 2020, Organization extended an operating lease until January 2022. Total expense for this operating lease for the years ended December 31, 2020 and 2019 was \$13,100 and \$11,000. Future minimum lease payments are as follows:

Year Ending December 31,	<u>Amount</u>
2021	14,300
2022	1,200
Total	<u>\$ 15,500</u>

**NOTE 9 LIQUIDITY AND AVAILABILITY**

The Organization strives to maintain liquid financial assets sufficient to cover 6 months' operating costs. The purpose of the cash reserves is to ensure during a financial emergency, the business can continue operations uninterrupted.

The following table reflects the Organization's financial assets as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,335,474	\$ 1,812,741
Pledges Receivable, Current	107,986	69,057
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,443,460</u>	<u>\$ 1,881,798</u>

**PATRIOT PAWS SERVICE DOGS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 10 FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are directly and fully related to program or management and general are categorized as such and not allocated. Direct program expenses, if used by more than one program, are split evenly between them. 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 square footage.

**NOTE 11 PAYCHECK PROTECTION PROGRAM**

On May 4, 2020 the Organization received a loan from The American National Bank of Texas in the amount of \$229,100 to fund payroll, rent, and utilities through the Paycheck Protection Program (the "PPP Loan"). The original loan agreements was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-three months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. The amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

On November 30, 2020, the Organization was notified by The American National Bank of Texas that that Small Business Administration (SBA) had formally forgiven and cancelled the PPP Loan in full. As such, the amount of the PPP Loan was recognized as contribution and grant revenue on the statement of activities as of December 31, 2020.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.