

**PARAGON SERVICE DOGS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**PARAGON SERVICE DOGS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

January 7, 2025

## Independent Auditors' Report

Board of Directors  
Paragon Service Dogs  
Longmont, Colorado

### ***Opinion***

We have audited the accompanying financial statements of **Paragon Service Dogs**, (a Colorado nonprofit corporation), which comprise the statement of financial position as of September 30, 2024, 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 Paragon Service Dogs as of September 30, 2024, 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 Paragon Service Dogs 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 Paragon Service Dogs' 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 Paragon Service Dogs' 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 Paragon Service Dogs' 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 Paragon Service Dogs' September 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, 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

**PARAGON SERVICE DOGS**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2024**  
**(WITH COMPARATIVE TOTALS FOR 2023)**

	2024	2023
<u>Assets</u>		
Cash and cash equivalents	\$ 135,534	\$ 48,429
Accounts receivable	292	801
Grants receivable	145,000	-
Investments (Note 4)	665,940	1,128,365
Net property and equipment (Note 5)	1,329,886	213,531
Other assets	2,154	1,236
Total assets	\$ 2,278,806	\$ 1,392,362
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 33,729	\$ 8,301
Accrued payroll costs	36,051	41,292
Line of credit (Note 6)	-	-
Note payable (Note 7)	593,863	-
Total liabilities	663,643	49,593
<u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	899,223	194,404
Board designated endowment	665,940	726,736
Capital campaign fund	-	401,629
	1,565,163	1,322,769
<u>With donor restrictions (Note 8)</u>	50,000	20,000
Total net assets	1,615,163	1,342,769
Total liabilities and net assets	\$ 2,278,806	\$ 1,392,362

The accompanying notes are an integral part of these financial statements

**PARAGON SERVICE DOGS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**  
**(WITH COMPARATIVE TOTALS FOR 2023)**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Planned giving: sale of donated real estate	\$ 602,500	\$ -	\$ 602,500	\$ -
Foundations	233,696	160,000	393,696	201,115
Individuals	223,199	-	223,199	526,293
Investment income (Note 4)	204,653	-	204,653	51,110
Service clubs	19,891	-	19,891	27,105
Corporate contributions	3,364	-	3,364	7,122
In-kind (Note 9)	10,155	-	10,155	10,299
All other	1,350	-	1,350	2,024
Net assets released from restriction (Note 10)	130,000	(130,000)	-	-
Total revenue and other support	<u>1,428,808</u>	<u>30,000</u>	<u>1,458,808</u>	<u>825,068</u>
<u>Expense</u>				
Program services	758,377	-	758,377	642,208
Supporting services				
Management and general	130,247	-	130,247	117,279
Fundraising	57,304	-	57,304	40,295
Total	945,928	-	945,928	799,782
Infrequent and unusual items (Note 11)	240,486	-	240,486	-
Total expense and infrequent and unusual items	<u>1,186,414</u>	<u>-</u>	<u>1,186,414</u>	<u>799,782</u>
Change in net assets	242,394	30,000	272,394	25,286
Net assets, beginning of year	<u>1,322,769</u>	<u>20,000</u>	<u>1,342,769</u>	<u>1,317,483</u>
Net assets, end of year	<u>\$ 1,565,163</u>	<u>\$ 50,000</u>	<u>\$ 1,615,163</u>	<u>\$ 1,342,769</u>

The accompanying notes are an integral part of these financial statements

**PARAGON SERVICE DOGS**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
(WITH COMPARATIVE TOTALS FOR 2023)

	2024			2023	
	<u>Supporting services</u>				
	<u>Program expenses</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 416,446	\$ 48,993	\$ 24,497	\$ 489,936	\$ 434,455
Payroll taxes and benefits	73,364	8,630	4,316	86,310	72,817
Insurance	24,204	13,202	6,601	44,007	24,384
Dog food and supplies	29,751	-	-	29,751	23,141
Service dog placement	22,842	-	-	22,842	45,933
Audit and accounting fees	-	22,276	-	22,276	22,675
Interest	12,321	5,686	948	18,955	-
Veterinarian care	18,445	-	-	18,445	25,707
Repair and maintenance	16,754	1,261	-	18,015	24,485
Dog operations	17,776	-	-	17,776	9,085
Fees and registrations	17,253	-	-	17,253	8,893
Professional services	9,448	6,298	-	15,746	21,820
Puppies (Note 12)	13,920	-	-	13,920	6,440
Fundraising fees	-	-	11,729	11,729	8,804
Utilities	5,663	2,831	2,831	11,325	10,811
Staff and volunteer development	10,002	-	-	10,002	11,912
Office operations	-	9,783	-	9,783	3,555
IT support	4,039	505	505	5,049	4,734
Phone	2,343	1,171	1,171	4,685	3,922
Graduation	4,177	-	-	4,177	-
Payroll processing	-	3,833	-	3,833	3,288
Postage	1,606	592	1,183	3,381	3,051
Taxes and licenses	-	1,574	-	1,574	15,935
Travel	11	-	-	11	-
Other expenses	7,360	798	709	8,867	-
	<u>707,725</u>	<u>127,433</u>	<u>54,490</u>	<u>889,648</u>	<u>785,847</u>
Depreciation	<u>50,652</u>	<u>2,814</u>	<u>2,814</u>	<u>56,280</u>	<u>13,935</u>
Total	<u>\$ 758,377</u>	<u>\$ 130,247</u>	<u>\$ 57,304</u>	<u>\$ 945,928</u>	<u>\$ 799,782</u>

The accompanying notes are an integral part of these financial statements

**PARAGON SERVICE DOGS**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
(WITH COMPARATIVE TOTALS FOR 2023)

	<u>2024</u>	<u>2023</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 272,394	\$ 25,286
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	56,280	13,935
Unrealized gain on investments	(173,360)	(6,793)
Loss on disposal of fixed assets	143,011	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	(145,000)	45,000
(Increase)decrease in accounts receivable	509	9,609
(Increase)decrease in other assets	(918)	(1,236)
Increase(decrease) in accounts payable	25,427	1,460
Increase(decrease) in payroll accruals	(5,241)	907
Net cash (used)provided by operating activities	<u>173,102</u>	<u>88,168</u>
<u>Cash flows from investing activities</u>		
(Purchases) of investments	(9,883)	-
(Reinvestment) of earnings	(27,234)	(44,317)
Proceeds from investments	672,902	-
(Purchases) of fixed assets	<u>(1,315,646)</u>	<u>(57,619)</u>
Net cash provided(used) by investing activities	<u>(679,861)</u>	<u>(101,936)</u>
<u>Cash flows from financing activities</u>		
Borrowing on note payable	600,000	-
(Repayment) of notes payable	<u>(6,136)</u>	<u>-</u>
Net cash provided(used) by financing activities	<u>593,864</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	87,105	(13,768)
Cash and cash equivalents, beginning of year	<u>48,429</u>	<u>62,197</u>
Cash and cash equivalents, end of year	<u>\$ 135,534</u>	<u>\$ 48,429</u>
<u>Supplemental disclosure of information</u>		
Cash paid during the period for interest	<u>\$ 18,955</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



**PARAGON SERVICE DOGS**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2024

NOTE 1 - NATURE OF ACTIVITIES

Paragon Service Dogs, formerly known as International Hearing Dog, Inc. (the Organization) was established to empower individuals with disabilities through the purposeful training of specially selected pups, the meticulous pairing of dog and handler, and unwavering support of the dog/handler team for the lifetime of the match.

Paragon fulfills its mission through the following programs:

**Service Dog Training Program**

Our training programs are structured into five tiers:

- **Extensive Dog Training:** We focus on sound and behavior training, aligning with Assistance Dogs International standards to ensure excellence.
- **Comprehensive Handler Training:** We provide new clients with the necessary skills to effectively partner with their service dog, recognizing the commitment involved.
- **Intensive Team Training:** Teams undergo rigorous training sessions covering public access and sound alert testing.
- **Ongoing Skill Development:** We support teams in earning full certification status through continuous training and development.
- **Annual Recertification:** Teams engage in virtual sessions to maintain best practices in their work.
- **Paragon Service Dogs** provides ongoing virtual and in-person training and support for the lifetime of the match, ensuring continued best practices and success.

**Owner Trained Program-** For individuals who already share a bond with their canine companion and aspire to harness their potential, Paragon offers an Owner-Trained Program. Through this program, we collaborate closely with owners who wish to train their dogs as hearing service dogs or facility dogs.

**Volunteer Program** - Paragon could not exist without the tremendous support of our volunteers. Volunteers are critical to our mission in countless ways, from Puppy Raising to Puppy Sitting, facility projects to outreach. We feel deeply thankful to our volunteers and strive to build meaningful and rewarding volunteer opportunities, providing training and support every step of the journey.

**Outreach and Education-** Paragon's outreach and educational awareness programs seek to inform and inspire audiences about Paragon's mission-driven work and the role of service dogs and facility dogs.

The Organization is supported primarily through foundations and individuals.

## 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

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

### 4. Accounts Receivable

The Organization states accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

### 5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,500. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

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

6. 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.

7. 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.

8. Functional Reporting of Expenses

For the year ended September 30, 2024, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The significant expenses allocated are salaries and payroll taxes, which are allocated based on time and effort. Dog delivery and supplies, dog operations and utilities are allocated assigned directly to the program or functional area benefited.

9. 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).

10. 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 September 30, 2023, from which the summarized information was derived.

11. Revenue and Revenue Recognition

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 with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

12. Subsequent Events

Management has evaluated subsequent events through January 7, 2025, the date the financial statements were available to be issued and found no events that would materially alter the results presented herein.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at September 30, 2024:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 135,534
Accounts and grants receivable	145,292
Investments	<u>665,940</u>
Total financial assets	<u>946,766</u>
Less: amounts not available for general expenditures within one year, due to:	
Board designated endowment	(665,940)
Financial assets available to meet general operating expenditures within one year	<u>\$ 280,826</u>

The Organization's goal is to maintain available financial assets sufficient to meet five months of general operating expenses (approximately \$398,000 per 2025 budgeted expenses). Management and the board reviewed their 2025 budget and voted to allow a maximum \$100,000 withdrawal from the endowment during fiscal year 2025. Management considers donor restricted contributions that will be used within one year as part of ordinary operations, as being available for general expenditures.

NOTE 4 - INVESTMENTS – BOARD DESIGNATED ENDOWMENT AND CAPITAL CAMPAIGN FUND

Investments (Level 1 inputs) are stated at their fair market values as follows:

<u>Description</u>	<u>Fair value</u>
Stocks and bonds	\$ 267,187
Fixed income	219,038
Non-US equities	124,627
Cash and cash alternatives	<u>55,088</u>
Total	<u>\$ 665,940</u>

NOTE 4 - INVESTMENTS – BOARD DESIGNATED ENDOWMENT AND CAPITAL CAMPAIGN FUND  
(Concluded)

Investment gain (loss) is summarized as follows:

<u>Description</u>	<u>Amount</u>
Net realized and unrealized gain(loss) on investments	\$ 178,835
Interest and dividend income	27,234
Less management fees	<u>(5,475)</u>
Net investment return	<u>\$ 200,594</u>

The Organization also earned \$4,060 of interest on its cash and cash equivalents.

Annually, the board of directors determines the allocation of funds for operations. Changes in board designated net assets for the year ended September 30, 2024 consisted of:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 1,128,365
Additions	9,883
Withdrawals	(672,902)
Net investment return	<u>200,594</u>
Balance, end of year	<u>\$ 665,940</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 44,780
Building and facilities	1,216,812
Vehicle	41,119
Tractor	29,857
Office equipment	27,819
Software	<u>18,779</u>
Total	1,379,166
Accumulated depreciation	<u>(49,280)</u>
Net property and equipment	<u>\$ 1,329,886</u>

Depreciation expense for the current year was \$56,280.

NOTE 6 - NOTE PAYABLE

The Organization financed its leasehold improvements with a \$600,000 loan from the Colorado Housing and Finance Authority (CHFA) dated March 28, 2024. The loan is secured by the property. The balance of the loan at September 30, 2024 was \$593,863. The note bears interest at 6.50% per annum with monthly payments of \$4,473.42 through April 1, 2044. Interest expense for the year on the note was \$16,230. Maturities (principal plus interest) of the note payable are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2025	\$ 15,373
2026	16,403
2027	17,502
2028	18,674
2029	19,925
2030 and beyond	<u>505,986</u>
Total	<u>\$ 593,863</u>

NOTE 7 - LINE OF CREDIT

The Organization has a zero balance on a \$450,000 securities-based line of credit (LOC) with an interest rate of 8.19%.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose:

<u>Description</u>	<u>Amount</u>
Dog purchase and training	<u>\$ 50,000</u>

NOTE 9 - IN-KIND CONTRIBUTIONS

The fair value of donated services included as contributions in the financial statements and the corresponding program expenses for the year consist of:

<u>Description</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Revenue Recognized</u>
Dog supplies	Programs	None	\$ 6,755
Veterinary services	Programs	None	<u>3,400</u>
Total			<u>\$ 10,155</u>

Veterinary services are valued using similar industry services. No amounts have been reflected in the financial statements for donated services not requiring specific expertise. However, during the year, 60 volunteers donated approximately 47,000 hours of non-professional level service.

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions were released and used for the following purposes:

<u>Description</u>	<u>Amount</u>
Capital campaign	\$ 100,000
Dog purchase and training	<u>30,000</u>
Total	<u>\$ 130,000</u>

NOTE 11 - INFREQUENT AND UNUSUAL ITEMS

Asbestos remediation and impaired assets

Buildings and improvements, located at their prior Henderson, Colorado address, are owned by Paragon Service Dogs (Organization). The property on which these buildings rest is leased primarily from the Colorado Division of Wildlife (DOW) under a twenty-five-year lease agreement. Due to discrepancies in prior years surveying, there is, however, a strip of land, .282 acre, which is not owned by the Division of Wildlife that runs across the property on which the buildings are located. This strip of land is not subject to any long-term lease agreement but is leased on a year-by-year basis. In case future difficulties arise in property ownership and possession, arrangements to have the buildings moved will be the sole responsibility of the Organization. Either party may terminate the agreement but must provide a one-year prior written notice.

In April, 2024, the Organization notified the DOW that they would not be renewing their lease. Demolition began on the buildings; however, asbestos was discovered and the Organization incurred \$52,500 in remediation services. As of the report date, the building has not been removed and the Organization is working with the DOW and utility companies to turn off power and water and complete the transition. The building was placed out of service and disposed of resulting in a loss of \$143,011.

Realtor fees and settlement

As part of its planned giving, the Organization received a contribution during the year in the form of real estate. The board approved the sale of the property, incurring \$44,975 in commissions and settlement fees.

NOTE 12 - PUPPIES

The Organization's hearing dogs come from shelters, rescues, collaborating service dog programs, breeders, and even individuals. Puppies expense consists primarily of the costs attributed to the acquisition of puppies from breeders, shelters, etc.

NOTE 13 - PENSION PLAN

The Organization has a SIMPLE IRA plan covering all eligible employees. The Organization matches contributions up to 3% of the employee's salary. Total pension expense for the current year was \$5,602.

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Organization has significant investments in stock, as well as stock and bond mutual funds. The market value of these investments is subject to fluctuation on a year-to-year basis. Management and the board review their strategic plan and approve withdrawals for general operations as needed.