



Report of Independent Auditors and
Consolidated Financial Statements

Canine Companions for Independence, Inc.

December 31, 2025 and 2024

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Report of Independent Auditors

The Board of Directors
Canine Companions for Independence, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Canine Companions for Independence, Inc. (Canine Companions), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Canine Companions as of December 31, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Companions and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 Companions' 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 consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Companions' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Canine Companions' 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.

Baker Tilly US, LLP

San Francisco, California

May 29, 2026

Consolidated Financial Statements

Canine Companions for Independence, Inc.
Consolidated Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 22,310,895	\$ 27,119,595
Pledges receivable, net	690,326	770,246
Accounts receivable	1,628,430	1,015,730
Bequests receivable	288,272	1,777,683
Investments, fair value	107,033,929	87,632,891
Investment, equity method	34,613,572	28,494,276
Property, equipment, and improvements, net	61,150,986	62,204,186
Other assets	3,547,479	2,728,038
Operating lease right-of-use assets	588,236	808,145
	\$ 231,852,125	\$ 212,550,790
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,314,413	\$ 2,540,361
Accrued payroll and related expenses	2,235,901	2,543,094
Gift annuities payable	682,477	656,868
Deferred compensation	46,160	46,160
Operating lease liabilities	620,038	846,451
	4,898,989	6,632,934
NET ASSETS		
Without donor restrictions		
Property, equipment, and improvements	61,150,986	62,204,186
Board designated	18,528,795	16,662,559
Undesignated	113,873,540	97,291,787
	193,553,321	176,158,532
With donor restrictions	33,399,815	29,759,324
Total net assets	226,953,136	205,917,856
Total liabilities and net assets	\$ 231,852,125	\$ 212,550,790

See accompanying notes.

Canine Companions for Independence, Inc.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	\$ 20,466,319	\$ 8,262,935	\$ 28,729,254
Contributed nonfinancial assets	322,516	-	322,516
Bequests	11,076,979	2,038,844	13,115,823
Change in value of beneficial interests in charitable trust assets	-	402,480	402,480
Net assets released from restrictions	8,133,783	(8,133,783)	-
Total support, net	<u>39,999,597</u>	<u>2,570,476</u>	<u>42,570,073</u>
REVENUE			
Special events	5,711,298	-	5,711,298
Program service revenue	225,522	-	225,522
Net investment income	18,051,208	1,997,746	20,048,954
Grants from government agencies	-	121,359	121,359
Other income	140,982	-	140,982
Total revenue	<u>24,129,010</u>	<u>2,119,105</u>	<u>26,248,115</u>
Total support and revenue	<u>64,128,607</u>	<u>4,689,581</u>	<u>68,818,188</u>
EXPENSES			
Program services			
Breeding and puppy raising	6,770,092	-	6,770,092
Training and client support	18,552,797	-	18,552,797
Public information	8,206,494	-	8,206,494
Veterinary	4,639,854	-	4,639,854
Total program services	<u>38,169,237</u>	<u>-</u>	<u>38,169,237</u>
Support services			
Fundraising	7,403,686	-	7,403,686
General administration	2,812,601	-	2,812,601
Total support services	<u>10,216,287</u>	<u>-</u>	<u>10,216,287</u>
Total expenses	<u>48,385,524</u>	<u>-</u>	<u>48,385,524</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	15,743,083	4,689,581	20,432,664
OTHER CHANGES IN NET ASSETS			
Loss on sale of property, equipment, and improvements	(10,361)	-	(10,361)
Net assets released from capital projects	1,662,067	(1,662,067)	-
Capital campaign contributions	-	612,977	612,977
CHANGE IN NET ASSETS	17,394,789	3,640,491	21,035,280
NET ASSETS, beginning of year	<u>176,158,532</u>	<u>29,759,324</u>	<u>205,917,856</u>
NET ASSETS, end of year	<u>\$ 193,553,321</u>	<u>\$ 33,399,815</u>	<u>\$ 226,953,136</u>

See accompanying notes.

Canine Companions for Independence, Inc.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	\$ 16,573,849	\$ 7,966,889	\$ 24,540,738
Contributed nonfinancial assets	379,591	10,000	389,591
Bequests	18,092,237	3,297,863	21,390,100
Change in value of beneficial interests in charitable trust assets	-	124,866	124,866
Net assets released from restrictions	4,587,921	(4,587,921)	-
Total support, net	<u>39,633,598</u>	<u>6,811,697</u>	<u>46,445,295</u>
REVENUE			
Special events (net of direct expenses of \$765,199)	4,440,805	-	4,440,805
Program service revenue	144,636	-	144,636
Net investment income	10,299,281	746,526	11,045,807
Grants from government agencies	-	210,000	210,000
Other income	33,519	278,063	311,582
Total revenue	<u>14,918,241</u>	<u>1,234,589</u>	<u>16,152,830</u>
Total support and revenue	<u>54,551,839</u>	<u>8,046,286</u>	<u>62,598,125</u>
EXPENSES			
Program services			
Breeding and puppy raising	5,614,390	-	5,614,390
Training and client support	16,537,927	-	16,537,927
Public information	5,660,857	-	5,660,857
Veterinary	4,153,983	-	4,153,983
Total program services	<u>31,967,157</u>	<u>-</u>	<u>31,967,157</u>
Support services			
Fundraising	6,342,349	-	6,342,349
General administration	2,136,016	-	2,136,016
Total support services	<u>8,478,365</u>	<u>-</u>	<u>8,478,365</u>
Total expenses	<u>40,445,522</u>	<u>-</u>	<u>40,445,522</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	14,106,317	8,046,286	22,152,603
OTHER CHANGES IN NET ASSETS			
Gain on sale of property, equipment, and improvements	16,468	-	16,468
Net assets released from capital projects	14,168,426	(14,168,426)	-
Capital campaign contributions	-	341,897	341,897
CHANGE IN NET ASSETS	28,291,211	(5,780,243)	22,510,968
NET ASSETS, beginning of year	<u>147,867,321</u>	<u>35,539,567</u>	<u>183,406,888</u>
NET ASSETS, end of year	<u>\$ 176,158,532</u>	<u>\$ 29,759,324</u>	<u>\$ 205,917,856</u>

See accompanying notes.

Canine Companions for Independence, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	2025							
	Program Services				Subtotal	Support Services		Total
	Breeding and Puppy Raising	Training and Client Support	Public Information	Veterinary		General Administration	Fundraising	
Salaries	\$ 3,528,216	\$ 9,756,237	\$ 2,434,662	\$ 1,379,995	\$ 17,099,110	\$ 1,518,444	\$ 3,967,574	\$ 22,585,128
Payroll taxes	272,504	747,834	184,438	106,142	1,310,918	95,301	304,007	1,710,226
Employee benefits	841,176	2,563,387	580,114	305,172	4,289,849	300,158	971,641	5,561,648
Rent	42,476	284,915	92,093	48,040	467,524	120	111,021	578,665
Building maintenance	131,074	663,748	100,380	106,677	1,001,879	7,379	134,020	1,143,278
Utilities	234,213	495,973	65,401	98,347	893,934	5,674	95,580	995,188
Equipment rental and maintenance	60,628	198,274	42,310	32,235	333,447	12,257	56,593	402,297
Insurance	96,986	340,329	52,443	34,470	524,228	25,002	101,779	651,009
Program and office supplies	571,420	576,782	231,960	859,779	2,239,941	15,334	45,136	2,300,411
Dues and subscriptions	4,610	9,153	2,889	6,783	23,435	22,039	6,118	51,592
Travel, conventions, and meetings	128,316	357,874	225,986	35,967	748,143	170,396	402,919	1,321,458
Professional services	251,335	397,368	441,063	1,352,509	2,442,275	303,779	414,137	3,160,191
Advertising and marketing	-	-	2,774,071	-	2,774,071	23,299	58	2,797,428
Telephone (data and voice communication)	44,231	144,976	27,145	11,641	227,993	11,857	52,730	292,580
Postage and freight	791	825	251	2,187	4,054	431	267,609	272,094
Printing and publications	1,325	1,199	442,764	-	445,288	888	4,296	450,472
Taxes, licenses, and other expenses	42,550	173,219	128,667	25,496	369,932	199,421	63,348	632,701
Total expenses before depreciation and amortization	6,251,851	16,712,093	7,826,637	4,405,440	35,196,021	2,711,779	6,998,566	44,906,366
Depreciation and amortization	518,241	1,840,704	379,857	234,414	2,973,216	100,822	405,120	3,479,158
Total expenses	<u>\$ 6,770,092</u>	<u>\$ 18,552,797</u>	<u>\$ 8,206,494</u>	<u>\$ 4,639,854</u>	<u>\$ 38,169,237</u>	<u>\$ 2,812,601</u>	<u>\$ 7,403,686</u>	<u>\$ 48,385,524</u>

See accompanying notes.

Canine Companions for Independence, Inc.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	2024							
	Program Services				Support Services			
	Breeding and Puppy Raising	Training and Client Support	Public Information	Veterinary	Subtotal	General Administration	Fundraising	Total
Salaries	\$ 3,202,006	\$ 8,849,040	\$ 2,509,314	\$ 1,261,778	\$ 15,822,138	\$ 1,179,761	\$ 3,426,397	\$ 20,428,296
Payroll taxes	247,489	684,334	191,002	97,095	1,219,920	76,769	260,658	1,557,347
Employee benefits	642,654	2,347,819	526,909	252,906	3,770,288	211,739	774,792	4,756,819
Rent	134,619	271,726	69,832	38,401	514,578	560	75,178	590,316
Building maintenance	165,910	595,726	85,139	77,708	924,483	10,846	146,748	1,082,077
Utilities	243,205	446,625	56,625	82,623	829,078	5,508	82,527	917,113
Equipment rental and maintenance	35,089	118,592	16,641	18,886	189,208	6,708	25,558	221,474
Insurance	78,888	308,869	52,142	28,195	468,094	18,815	84,616	571,525
Program and office supplies	447,338	563,823	23,965	707,361	1,742,487	10,057	23,990	1,776,534
Dues and subscriptions	412	1,161	1,684	6,570	9,827	8,870	1,926	20,623
Travel, conventions, and meetings	109,388	347,061	241,767	36,242	734,458	160,882	330,365	1,225,705
Professional services	128,458	296,679	763,992	1,396,447	2,585,576	327,377	354,748	3,267,701
Advertising and marketing	-	-	276,544	-	276,544	20,392	3,623	300,559
Telephone (data and voice communication)	47,796	165,737	34,208	12,944	260,685	9,748	48,659	319,092
Postage and freight	11,481	48,574	169,044	7,607	236,706	3,419	17,544	257,669
Printing and publications	808	244	459,197	225	460,474	226	2,718	463,418
Taxes, licenses, and other expenses	498	1,753	178	2,676	5,105	5,598	193,842	204,545
Total expenses before depreciation and amortization	5,496,039	15,047,763	5,478,183	4,027,664	30,049,649	2,057,275	5,853,889	37,960,813
Depreciation and amortization	118,351	1,490,164	182,674	126,319	1,917,508	78,741	488,460	2,484,709
Total expenses	<u>\$ 5,614,390</u>	<u>\$ 16,537,927</u>	<u>\$ 5,660,857</u>	<u>\$ 4,153,983</u>	<u>\$ 31,967,157</u>	<u>\$ 2,136,016</u>	<u>\$ 6,342,349</u>	<u>\$ 40,445,522</u>

See accompanying notes.

Canine Companions for Independence, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 21,035,280	\$ 22,510,968
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	3,479,158	2,484,709
Provision for uncollectible receivables	(12,634)	-
Change in discount of pledge receivables	-	(6,490)
Contributions - capital campaign	(612,977)	(341,897)
Net unrealized and realized gain on investments	(18,417,689)	(7,056,584)
Loss (gain) on sales of property, equipment, and improvements	10,361	(16,468)
Changes in operating assets and liabilities		
Pledges receivable	92,554	(178,678)
Accounts receivable	(612,700)	421,658
Bequests receivable	1,489,411	481,411
Operating lease right-of-use assets	219,909	(21,493)
Other assets	(819,440)	(130,241)
Accounts payable and accrued expenses	(1,225,948)	1,182,095
Accrued payroll and related expenses	(307,193)	93,097
Operating lease liabilities	(226,413)	28,626
Gift annuities payable	25,609	19,555
Net cash provided by operating activities	4,117,288	19,470,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(19,495,650)	(133,912,609)
Proceeds from sale of investments	12,393,004	90,928,923
Acquisitions of property, equipment, and improvements	(2,437,519)	(8,888,557)
Proceeds from sale of property and equipment	1,200	49,600
Net cash used in investing activities	(9,538,965)	(51,822,643)
CASH FLOWS FROM FINANCING ACTIVITY		
Collections on capital campaign	612,977	341,897
Net cash provided by financing activity	612,977	341,897
NET CHANGES IN CASH AND CASH EQUIVALENTS	(4,808,700)	(32,010,478)
CASH AND CASH EQUIVALENTS, beginning of year	27,119,595	59,130,073
CASH AND CASH EQUIVALENTS, end of year	\$ 22,310,895	\$ 27,119,595
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donation of nonfinancial asset	\$ 322,516	\$ 389,591

See accompanying notes.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Note 1 – Description of the Organization

Canine Companions for Independence, Inc. (the Organization or Canine Companions) is a nonprofit corporation organized to provide highly trained service dogs and ongoing support to individuals with disabilities. Canine Companions dogs and all follow-up services are provided at no cost to Canine Companions clients. Canine Companions operates regional training facilities in the states of California, Ohio, Florida, New York, and Texas. Its national headquarters is located in Santa Rosa, California. In 2023, the Organization also opened a field office in Seattle, Washington. Canine Companions' support comes primarily from donor contributions and bequests.

On December 28, 2020, the Organization established Canine Companions Charitable Properties, LLC (the LLC), with the Organization as the sole member. The LLC was formed for the purpose of holding certain assets to be used to further the charitable mission of the Organization. The consolidated financial statements reflect the accounts of the Organization and the LLC.

On April 4, 2024, the Organization established Canine Alert, LLC, (the LLC), a California limited liability company, of which the Organization is the sole member. The LLC was formed to hold and manage intellectual property including internally developed technology solutions expected to be deployed in 2026 in support of the Organization's programmatic and operational activities.

On August 1, 2025, the Organization entered into a merger agreement with Early Alert Canines, a California nonprofit public benefit corporation. Pursuant to the agreement, Early Alert Canines merged into the Organization, and the Organization assumed substantially all assets, liabilities, operations, and program activities of Early Alert Canines. The merger expanded the Organization's programmatic capabilities through the addition of service dogs specialized in diabetic alert, while further enhancing the Organization's geographic reach and mission impact. The accompanying financial statements include the operations of Early Alert Canines from the effective date of the merger.

The following is a description of the programs and services offered by Canine Companions:

Breeding and puppy raising – Since 1975, Canine Companions has developed a proven formula for breeding, raising, and training service dogs. Canine Companions breeds Labrador Retrievers, Golden Retrievers, and a cross of the two to be service dogs.

Volunteer breeder caretakers care for Canine Companions breeder dogs and nurture newborn puppies for eight weeks. In certain instances, Canine Companions manages the birthing and caretaking during these early stages at its facilities in Santa Rosa, California. From ages 8 weeks to 18 months, volunteer puppy raisers care for, provide basic obedience training for, and socialize Canine Companions puppies. When a Canine Companions puppy reaches the age of about 18 months, he or she is returned to one of Canine Companions' regional Centers for professional instruction.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Training and client support – Canine Companions maintains a waiting list of persons desiring placement with a dog. Individuals are screened, interviewed, and selected prior to attending a Team Training class. Leading up to a Team Training class, instructors spend 6 to 9 months teaching the dog to master more than 40 commands. Canine Companions instructors train different types of service dogs to best serve our clients:

- **Service dogs** – Partnered with adults, children, and veterans to assist with daily tasks and increase independence by reducing reliance on other people. A service dog can pull their partner in a manual wheelchair, retrieve dropped items, alert an adult who is deaf or hard of hearing to important sounds, or assist a veteran with post-traumatic stress disorder by interrupting anxiety attacks and nightmares.
- **Facility dogs** – Expertly trained dogs are partnered with a professional facilitator working in a health care, criminal justice, rehabilitation, or education setting. Canine Companions facility dogs are trustworthy in professional environments and are trained in 45 tasks that can be integrated into therapies or services to improve clinical outcomes.

The matching of students and canines takes place during an intensive two-week training course where students learn the skills to direct their new service dogs. Students also learn techniques to expand the range of commands to meet their particular needs. In addition, each student must demonstrate the ability to provide for the dog's care and well-being before graduating with a Canine Companions service dog.

After graduation, Canine Companions keeps track of all the teams through follow-up visits and graduate workshops. The main purposes of graduate follow-up visits are to maintain, as well as, enhance the effectiveness of the graduate team's well-being and effectiveness.

Canine Companions has also developed customer service and quality control tools known as graduate seminars. These provide the graduates one- to two-day follow-up training at training centers or in centrally located cities for problem solving and further education to ensure the ongoing success of the service dog team. Canine Companions conducts annual graduate seminars at each of our six training centers and the Seattle field office.

Public information – Canine Companions takes a proactive stance in raising awareness of service dogs and challenges faced by people with disabilities. Canine Companions' efforts have produced many articles in national and regional newspapers, magazines, and newsletters. Canine Companions has worked with national and regional web, radio, and television broadcasts to bring awareness of our program to millions. Additionally, Canine Companions maintains ongoing ad campaigns that include billboards, online, print advertising, and televised public service announcements.

Canine Companions also distributes newsletters, electronic messages, and direct mail packages that educate the general public and provide program updates. Additionally, Canine Companions maintains and regularly updates social media accounts. Canine Companions' web site (www.canine.org) provides information about aspects of its programs and services.

Veterinary – Canine Companions provides health care to all puppies and dogs in professional training. Additionally, Canine Companions provides supplementary veterinary services for puppies and graduate dogs on an as needed basis.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation – All inter-entity transactions and balances have been eliminated upon consolidation.

Basis of presentation and description of net assets – Canine Companions uses the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and reports information regarding its consolidated financial position and activities according to two classes of net assets.

Net assets without donor restrictions – The portion of net assets that is neither subject to time nor donor-imposed restrictions and may be expended for any purpose in performing the primary objective of Canine Companions. As of December 31, 2025 and 2024, Canine Companions' Board of Directors has designated approximately \$2,200,000 and \$2,100,000, respectively, of net assets without donor restrictions as an endowment for projects in the Southeast Region to fund the Canine Health and Wellness Center in Santa Rosa, and approximately \$16,400,000 and \$14,600,000, respectively, of net assets without donor restrictions for general use.

Net assets with donor restrictions – The portion of net assets whose use by Canine Companions is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Canine Companions. Net assets with donor restrictions also include a portion of net assets consisting of contributions to endowed funds where the donor indicated that a portion of the fund be retained in perpetuity. The accumulation of assets, above historic gift value, in donor-restricted endowed funds is classified as with donor restrictions until appropriate for use based on Canine Companions' spending policy.

Cash and cash equivalents – Canine Companions considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and not held for investment purposes.

Pledges receivable, net – Contributions and pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discount is included in contribution revenue.

Canine Companions uses the allowance method to determine uncollectible pledge receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

Accounts receivable – Accounts receivable consist of various trade and miscellaneous receivables. Trade receivables include amounts billed to sponsors and affiliates for services provided. Receivables are reported at face value, which approximates fair value, and are not subject to interest. Payments received from sponsors and affiliates are generally applied to the balances identified by the accompanying invoice.

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

Accounts receivable are reviewed for collectability, and an allowance for credit losses is established when needed. The allowance estimate is derived from a review of the Organization's historical losses based on the ageing of receivables (or other methodology if applicable). This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's customer base has remained constant since the Organization's inception. No allowance was deemed necessary for accounts receivable for the years ended December 31, 2025 and 2024.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Bequests receivable – Bequests receivable consist of gifts made by means of wills and trusts for which the donor is deceased and are otherwise considered irrevocable.

Investments – Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the consolidated statements of activities and changes in net assets. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

Fair value of beneficial interest in assets – Canine Companions invests in diversified investment pools offered by the Marin Community Foundation and Community Foundation Sonoma County (collectively referred to as the Community Foundations). The Community Foundations have Canine Companions' investment accounts under their management. Canine Companions' share of the pool is recorded as beneficial interest in assets. The beneficial interest in assets is stated at fair value. The fair value is based on the net asset value of the pooled assets and Canine Companions' ownership interest in the pool. Net asset values are evaluated by the Community Foundations to determine if the values of these investments should be adjusted. Factors considered may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

The pools consist of various investments including, but not limited to, cash, public and private equities, global bonds, real assets, and hedge funds. Investments are exposed to various risks such as interest rate, market, liquidity, and credit risks.

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

Fair value measurements – Canine Companions carries certain assets and liabilities at fair value. Fair value is defined as 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. Canine Companions classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data.

Investment held at equity method – Canine Companions holds an equity method investment in one private corporation that is not traded on stock exchanges and does not have a readily determinable fair value. Valuation is determined based on the percentage of interest held by Canine Companions. The equity method of accounting is used for investments in which Canine Companions' interest is 20% to 50% and is deemed to have significant influence over the investee. Under the equity method, Canine Companions recognizes its proportionate share of net income or loss of the corporation. Dividends paid by the corporation reduce the value of the investment. Canine Companions evaluates the investment for impairment whenever events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. As of December 31, 2025 and 2024, management has concluded that there are no indications of impairment of the equity method investment.

Property, equipment, and improvements – Property, equipment, and improvements are recorded at cost. Property, equipment, and improvements with a cost of \$5,000 or greater are capitalized. The cost of maintenance and repairs are charged to expense as incurred. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is computed over the lesser of the useful life or the term of the related lease. Estimated useful lives used to compute depreciation and amortization of property, equipment, and improvements are as follows:

Building and improvements	15–40 years
Leasehold improvements	life of lease
Furniture, vehicle, and equipment	5 years

Impairment of long-lived assets – The long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through the estimated undiscounted cash flows expected to result from the use and eventual disposition of that asset. Whenever any such impairment exists, an impairment loss will be recognized for the amount by which the carrying value exceeds the fair value. There was no impairment of long-lived assets for the years ended December 31, 2025 and 2024.

Other assets – Other assets include beneficial interests in charitable trust assets, prepaid expenses and land held for sale

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Leases – Transactions give rise to leases when Canine Companions receives substantially all of the economic benefits from and has the ability to direct the use of the specified asset. Canine Companions has lessee activity classified as operating leases and is included in the operating lease right-of-use assets (ROU) and operating lease liabilities in the consolidated statements of financial position.

Operating lease ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, Canine Companions uses an estimated incremental borrowing rate at lease commencement to perform lease classification tests and to measure lease liabilities and ROU assets. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended. Canine Companions has elected not to recognize ROU assets and lease liabilities for leases of terms less than 12 months.

Split interest agreements

Beneficial interests in charitable trust assets – Beneficial interests in charitable trust assets include the estimated fair value of Canine Companions' interest in pooled income funds and charitable remainder trusts. Assets of these trusts are held by independent trustees. The fair values are measured by the estimated present value of the remainder interest using applicable mortality tables and discount rates used to compute the donors' original charitable deduction.

Canine Companions recognizes their remainder interest in the assets received as contribution revenue with donor restrictions in the period in which the assets are received from the donor. Subsequent changes in the estimated fair value are recognized in the consolidated statements of activities and changes in net assets.

Charitable gift annuities – Canine Companions records a gift annuity upon execution of the contract and receipt of the assets. The liability is recorded at the estimated present value of payments using applicable mortality tables and approximate discount rates of 4.6% to 5.4%.

California Insurance Code (the Code) requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the Code requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of December 31, 2025 and 2024, Canine Companions had sufficient funds in its reserve fund to meet the Code requirements and those funds were invested in accordance with the Code. Canine Companions is in compliance with all laws and regulations in all states it is registered to issue charitable gifts annuities.

Endowment funds – Canine Companions' reserved funds include donor-restricted endowment funds and funds designated by the Board of Directors to function as semi-endowed funds. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as reserved funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Interpretation of relevant law – The Board of Directors of Canine Companions has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act (CUPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Canine Companions classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts are classified as net assets with donor restrictions until Canine Companions' Board of Directors appropriates amounts for expenditure and any purpose restrictions have been met in a manner consistent with the standard of prudence prescribed by CUPMIFA.

In accordance with CUPMIFA, Canine Companions considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of Canine Companions and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation,; 5) the expected total return from income and the appreciation of investments; (6) other resources of Canine Companions; and (7) the investment policies of Canine Companions.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CUPMIFA requires Canine Companions to retain as a fund of perpetual duration. At December 31, 2025 and 2024, there were no material deficiencies.

Return objectives and risk parameters – Canine Companions has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Canine Companions must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to exceed the yield of relevant indexes while assuming a moderate level of investment risk. Canine Companions expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Canine Companions relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Canine Companions targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy – Except for the board-designated endowment fund related to the Martha McCrary Bequest, the McCrary funds are appropriated based on the annual needs of Canine Companions' Southeast Regional Office and can vary year to year, with a goal of maintaining as much principal as possible. This is consistent with Canine Companions' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Recognition of support-based revenue – Contributions and grants are recognized at their fair value when the donor makes an unconditional promise to give to Canine Companions. Certain contributions are reported as support without donor restrictions when the restriction is met in the same period as the contribution is received. All other donor restricted contributions and grants 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. 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.

Canine Companions is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in Canine Companions' consolidated financial statements as bequests receivable when clear title is established, and the proceeds are measurable.

Contributed goods and services – Canine Companions recognizes the value of donated items and/or supplies at the fair market value for similar items. Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods and services for years ended December 31 included in the consolidated statements of activities and changes in net assets, were as follows:

	2025	2024
Office space	\$ 322,516	\$ 322,516
Professional services	-	67,075
	<u>\$ 322,516</u>	<u>389,591</u>
Contributed nonfinancial assets	<u>\$ 322,516</u>	<u>\$ 389,591</u>

Canine Companions received donated office space in the Southwest region which was valued at approximately \$323,000 as of December 31, 2025 and 2024, respectively. Canine Companions did not monetize any contributed nonfinancial assets.

A substantial number of volunteers have donated significant amounts of time in Canine Companions' program services and fundraising activities. The value of donated volunteer services has not been recognized in the accompanying consolidated financial statements because such volunteer services do not meet the above-mentioned criteria.

During the years ended December 31, 2025 and 2024, Canine Companions participated in various outreach events supported by Canine Companions' staff and by 6,181 and 4,275 volunteers, respectively.

Grants from government agencies – Government grants are recognized as revenue when qualifying expenditures are incurred and all applicable grant requirements are met. During the year ended December 31, 2025, Canine Companions received grants of approximately \$100,000 from the Texas Veterans Commission and \$21,000 from the California Department of Corrections and Rehabilitation. During the year ended December 31, 2024, Canine Companions was awarded \$210,000 under the Rehabilitative Investment Grants for Healing and Transformation (RIGHT) 2.0 program in June 2024, pursuant to the eligibility criteria established in the Budget Act of 2023.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Functional expenses – The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Personnel expenses were assigned by each position's departmental classification and, in certain instances, allocated among classifications after considering the functional roles and time spent in those roles.

Occupancy, depreciation, and facilities-related services were allocated based upon estimated departmental usage of building and kennel space weighted by the estimated insured value of building replacement, contents, and equipment costs. Professional services, printing, and information technology were allocated based upon the functions provided or by full-time equivalent staff headcount. Travel, education and awareness, and other expenses were allocated based upon time and effort.

Income taxes – Canine Companions is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code sections. Accordingly, no provision for income taxes on income has been reflected in these consolidated financial statements.

Canine Companions follows the guidance on accounting for uncertainty in income taxes issued by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. As of December 31, 2025 and 2024, management evaluated Canine Companions' tax positions and concluded that Canine Companions had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

The LLC, as a California organization, is subject to franchise taxes and a fee based on California annual income. For the years ended December 31, 2025 and 2024, the LLC paid \$800 in taxes and fees.

Use of estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date, but before the consolidated financial statements are available to be issued. Canine Companions recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position including estimates inherent in the process of preparing consolidated financial statements. Canine Companions' consolidated financial statements do not recognize subsequent events that provide additional evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the statement of financial position date before the consolidated financial statements were available to be issued.

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

Subsequent to year-end, construction of a new dorm building at the Organization's northeast training center, which was donated by a general contractor at no cost to the Organization, was substantially completed. Because the building was not complete as of the balance sheet date, no amounts related to this project were reflected in the accompanying financial statements. The Organization expects to recognize the donated building and related contribution revenue in fiscal year 2026. The organization is in the process of obtaining an independent valuation to determine the building's fair value at the time of recognition.

Canine Companions has evaluated subsequent events through May 29, 2026, which is the date the consolidated financial statements were available to be issued.

Note 3 – Pledges Receivable, Net

Pledges outstanding at December 31 are expected to be collected as follows:

	<u>2025</u>	<u>2024</u>
Pledges receivable in less than one year	\$ 484,275	\$ 597,500
Pledges receivable in one to five years	<u>206,051</u>	<u>172,746</u>
Pledges receivable, net	<u>\$ 690,326</u>	<u>\$ 770,246</u>

Pledges receivable expected to be collected in one to five years are discounted at rates ranging from 3.25% to 8.50%.

Note 4 – Bequests Receivable

Canine Companions is the beneficiary under several wills and trust agreements in which clear title has been established and the proceeds are measurable. As of December 31, 2025 and 2024, the total of these expectancies are approximately \$288,000 and \$1,178,000, respectively. Management believes that all bequest expectancies are collectible.

As of December 31, 2025 and 2024, Canine Companions also has various bequests, which are in process. However, the amounts to be received are not yet determinable. No value has been recorded on these bequests.

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Note 5 – Investments

Investments consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,522,717	\$ 1,026,024
Common stock	39,040,279	31,246
Fixed income	29,313,745	22,280,930
Mutual funds	1,497,130	34,838,416
Beneficial interest in assets - Marin Community Foundation	23,300,495	18,681,703
Alternative Investments - Venture Capital and Private Equity	80,000	-
Beneficial interest in assets - Community Foundation Sonoma County	<u>12,279,563</u>	<u>10,774,572</u>
Total investments	<u>\$ 107,033,929</u>	<u>\$ 87,632,891</u>

Net investment income, including amounts earned on assets at the Community Foundations, consists of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 2,262,056	\$ 2,920,251
Investment fees	(539,216)	(268,066)
Net realized and unrealized gain	<u>18,728,594</u>	<u>8,393,622</u>
Total net investment income	<u>\$ 20,451,434</u>	<u>\$ 11,045,807</u>

Note 6 – Investments, Equity Method

During 2020, Canine Companions was informed of a bequest, consisting of marketable securities and shares of stock in a private corporation (the Stock) that provides internet and telecom services. On December 28, 2020, Canine Companions established the LLC to hold the Stock with Canine Companions as the sole member. In July 2021, the LLC received the Stock that can only be liquidated under certain contingencies according to an existing shareholders' agreement.

Interest was bequeathed to the LLC in 2021 as follows:

	<u>Initial Measurement</u>	<u>Percentage Interest Owned</u>
Private corporation	\$ 19,525,600	28.66%

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Financial results for the private corporation from the most recently available audited financial statements dated June 30, 2025, is summarized as follows:

	Private Corporation
Assets	\$ 195,417,000
Liabilities	62,917,000
Equity	132,500,000
Comprehensive income	36,865,000

The value of the equity investment has been adjusted to reflect its proportionate share of comprehensive income or loss and reduced for dividends received during 2025 as follows:

Investment, equity method at December 31, 2024			\$ 28,494,276
Increase in valuation	Net Income	Share	
	\$ 27,349,184	28.66%	7,839,124
Dividends received			
May 2025		\$ 644,935	
November 2025		1,074,893	
Reduction in valuation due to receipt of dividends			(1,719,828)
Investment, equity method at December 31, 2025			\$ 34,613,572

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

Note 7 – Fair Value Measurements

The tables below present the balances of assets measured at fair value at December 31 on a recurring basis.

	2025				
	Total	Level 1	Level 2	Level 3	NAV
Investments					
Cash and cash equivalents	\$ 1,522,717	\$ 1,522,717	\$ -	\$ -	\$ -
Common stock	39,040,279	39,040,279	-	-	-
Fixed income	29,313,745	-	29,313,745	-	-
Mutual funds	1,497,130	1,497,130	-	-	-
Venture Capital and Private Equity	80,000	-	-	-	80,000
Beneficial interest in assets	35,580,058	-	-	35,580,058	-
Total investments	\$ 107,033,929	\$ 42,060,126	\$ 29,313,745	\$ 35,580,058	\$ 80,000

	2024				
	Total	Level 1	Level 2	Level 3	NAV
Investments					
Cash and cash equivalents	\$ 1,026,024	\$ 1,026,024	\$ -	\$ -	\$ -
Common stock	31,246	31,246	-	-	-
Fixed income	22,280,930	-	22,280,930	-	-
Mutual funds	34,838,416	34,838,416	-	-	-
Beneficial interest in assets	29,456,275	-	-	29,456,275	-
Total investments	\$ 87,632,891	\$ 35,895,686	\$ 22,280,930	\$ 29,456,275	\$ -

Level 1 – While Canine Companions believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the financial statements.

Level 2 – Level 2 financial instruments are valued using quotes prices for similar assets or liabilities, quoted prices in markets that are not active, or models using inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – The Marin Community Foundation endowment pool focuses on a long-term strategy designed to protect assets against inflation over time. The target asset allocation is 75% in equity funds and 25% in fixed income. The investments may be redeemed on a daily basis and are subject to restrictions imposed by the Board of Directors at the Marin Community Foundation.

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

The Community Foundation Sonoma County endowment pool focuses on a long-term strategy designed to protect assets against inflation over time while providing for a steady stream of gains. The target asset allocation of the long-term investment pool, which is designed to minimize cost and reduce volatility, is 85% in a core portfolio, which includes passive investments in equity (65%), fixed income assets (35%), and 15% in a satellite portfolio. The core portfolio consists of investments that track major market indices with minimal tracking error (defined as the deviation of excess return). Additional positions, known as satellites, are added to the portfolio and allow for greater flexibility regarding tracking error. The investments may be redeemed on a daily basis and are subject to restrictions imposed by the Board of Directors at Community Foundation Sonoma County. Level 3 investments purchased in 2025 and 2024 were \$3,682,923 and \$600,000, respectively.

The table below presents information about significant unobservable inputs related to the categories of Level 3 financial assets at December 31, 2025:

	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial interest in assets	\$ 35,580,058	Fair value of the pooled assets and Canine Companions ownership interest	Fair Value of the underlying assets of the investment pool

The table below presents information about significant unobservable inputs related to the categories of Level 3 financial assets at December 31, 2024:

	<u>Fair Value</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>
Beneficial interest in assets	\$ 29,456,275	Fair value of the pooled assets and Canine Companions ownership interest	Fair Value of the underlying assets of the investment pool

Marin Community Foundation and Community Foundation Sonoma County were established as component funds to benefit Canine Companions. The Community Foundations hold both expendable and endowment funds. Expendable funds allow for the grant of income or principal. Endowment funds allow only for grants to Canine Companions of a fixed percentage of historic earnings.

The Community Foundations have variance power in the event that a restriction or condition of a component fund cannot be fulfilled. Per terms of the agreement with Canine Companions, in such a situation, the Community Foundations may make grants from their component funds to organizations that most nearly serve the purposes and objectives for which the funds were established. The agreements between Canine Companions and the Community Foundations may be terminated by either party in accordance with their respective agreements.

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Note 8 – Revocable Funds

A fund was established by an outside donor under the administration of Community Foundation Sonoma County, to support the mission and activities of Canine Companions. Fund A is a permanent endowment fund with a balance of approximately \$4,192,000 and \$3,629,000 at December 31, 2025 and 2024 respectively. Distributions from this fund are subject to Community Foundation Sonoma County's endowment spending policy. Fund A is revocable and is not included on the consolidated statements of financial position at December 31, 2025 and 2024. During 2025 and 2024, there were no distributions from Fund A.

Note 9 – Property, Equipment, and Improvements, Net

Property, equipment, and improvements, net consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Buildings and leasehold improvements	\$ 73,037,188	\$ 74,081,061
Office equipment	5,096,686	4,616,678
Automotive equipment	1,653,746	1,426,012
Software	1,427,286	1,425,851
Construction in progress	<u>1,359,396</u>	<u>518,763</u>
	82,574,302	82,068,365
Less accumulated depreciation and amortization	<u>(26,494,764)</u>	<u>(24,935,627)</u>
	56,079,538	57,132,738
Land	<u>5,071,448</u>	<u>5,071,448</u>
Property, equipment, and improvements, net	<u>\$ 61,150,986</u>	<u>\$ 62,204,186</u>

Depreciation and amortization expense totaled approximately \$3,479,000 and \$2,489,000 for 2025 and 2024, respectively. In 2022, the Organization began construction for the Canine Health and Wellness center facility, which will house the veterinary, research, and breeding departments. Construction of the facility was completed in November 2024.

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Note 10 – Other Assets

Other assets at December 31 consisted of the following:

	2025	2024
Land held for sale	\$ 880,000	\$ 880,000
Split interest agreements	1,583,402	1,180,922
Investments held for deferred compensation plans	46,160	46,160
Other	1,037,917	620,956
Other assets	\$ 3,547,479	\$ 2,728,038

The land held for sale represents a donation to Canine Companions in accordance with Canine Companions' Gift Acceptance Policy. The land was donated to benefit the Northeast Region for its general operating purposes. Canine Companions has listed the property for sale.

Note 11 – Line of Credit

Line of credit – In September 2015, Canine Companions obtained a revolving line of credit (LOC) of \$4,000,000 to finance operations as necessary. Canine Companions renewed the LOC in December 2023. The line has a variable interest rate with a floor rate of 5.00% per annum and a commitment fee of 0.375% for the term of the loan. The LOC expired on November 5, 2025, and was not renewed.

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are available for the following purposes or periods:

	2025	2024
Property, equipment, and improvements	\$ 2,317,995	\$ 1,652,627
Split interest agreements and charitable trust assets	2,239,205	1,223,571
Program and time restrictions	11,340,697	11,272,185
Bequests receivable	288,272	1,777,683
Donor endowments - corpus and earnings	17,213,646	13,833,258
Net assets with donor restrictions	\$ 33,399,815	\$ 29,759,324

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Net assets were released during the years ended December 31 in accordance with the donors' intent or release of time restrictions as follows:

	2025	2024
Program and time restrictions	\$ 5,276,206	\$ 3,948,168
Property, equipment, and improvements	1,662,067	14,168,426
Bequests receivable	2,807,577	581,411
Donor endowments - corpus and earnings	50,000	58,342
Total restrictions released	\$ 9,795,850	\$ 18,756,347

Note 13 – Endowments

Endowment net assets composition by type of fund as of December 31, 2025 and 2024, were as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted			
General use	\$ -	\$ 17,051,262	\$ 17,051,262
Board designated			
Funds available for general use	16,353,817	-	16,353,817
Funds available for general use by the Southeast Region	2,174,978	-	2,174,978
Total	\$ 18,528,795	\$ 17,051,262	\$ 35,580,057
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted			
General use	\$ -	\$ 12,793,716	\$ 12,793,716
Board designated			
Funds available for general use	14,604,695	-	14,604,695
Funds available for general use by the Southeast Region	2,057,864	-	2,057,864
Total	\$ 16,662,559	\$ 12,793,716	\$ 29,456,275

Canine Companions for Independence, Inc.
Notes to Consolidated Financial Statements

Changes in endowment net assets for the years ended December 31, 2025 and 2024 are as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 16,662,559	\$ 12,793,716	\$ 29,456,275
Interest and dividends	183,494	334,208	517,702
Investment fees	(104,568)	(122,843)	(227,411)
Contributions received	1,230,141	2,452,781	3,682,922
Net realized and unrealized gain	1,787,310	1,786,381	3,573,691
Net additions	3,096,377	4,450,527	7,546,904
Distributions of cash	(1,230,141)	(192,981)	(1,423,122)
Endowment net assets, end of year	<u>\$ 18,528,795</u>	<u>\$ 17,051,262</u>	<u>\$ 35,580,057</u>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 28,931,263	\$ 11,187,792	\$ 40,119,055
Interest and dividends	221,650	278,064	499,714
Investment fees	(136,166)	(99,632)	(235,798)
Contributions received	-	600,000	600,000
Net realized and unrealized gain	1,645,812	910,992	2,556,804
Net additions	1,731,296	1,689,424	3,420,720
Distributions of cash	(14,000,000)	(83,500)	(14,083,500)
Endowment net assets, end of year	<u>\$ 16,662,559</u>	<u>\$ 12,793,716</u>	<u>\$ 29,456,275</u>

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

Note 14 – Commitments and Contingencies

Canine Companions entered into several lease agreements for its headquarters and regional offices for office space and office equipment, which expire at various times through November 2028, respectively. The equipment leases generally do not contain extension options. There are no residual value guarantees related to the existing leases.

The approximate future minimum lease payments related to these leases are as follows:

<u>Years Ending December 31,</u>	
2026	\$ 300,467
2027	277,774
2028	<u>115,044</u>
Total	693,285
Less present value discount	<u>(73,247)</u>
Operating lease liabilities	<u><u>\$ 620,038</u></u>

Lease expenses are recorded on a straight-line basis over the life of the lease as included in the consolidated statements of activities and changes in net assets. Rent expenses under all operating leases amounted to approximately \$590,000 and \$366,000 for the years ended December 31, 2025 and 2024, respectively. Supplemental cash flow and other information related to leases was as follows:

Lease Term and Discount Rate	
Weighted average remaining lease term	2.36 years
Weighted average discount rate	9.25%

Canine Companions also leases property for its Southwest Region center under a 30-year lease ending August 2025. In 2024, Canine Companions exercised the 10-year renewal option to extend the lease through August 2035. This property is leased to Canine Companions rent-free with the agreement that the premises will be used exclusively for the purpose of service dog training and other related purposes.

Canine Companions is subject to legal proceedings and claims, which arise in the ordinary course of business. Management evaluates these matters regularly with the assistance of legal counsel to determine the likelihood of unfavorable outcomes and to estimate potential losses. As of December 31, 2025, management believes that any pending legal matters will not have a material adverse effect on the Canine Companions' financial position or changes in net assets.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Note 15 – Availability of Financial Assets and Liquidity

The following table reflects Canine Companions' financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, held by a trust, or assets held for others.

Canine Companions' financial assets available within one year for general expenditures are as follows at December 31:

	2025	2024
Financial assets at year end		
Cash and cash equivalents	\$ 22,310,895	\$ 27,119,595
Pledges receivable, net	690,326	770,246
Accounts receivable	1,628,430	1,015,730
Bequests receivable	288,272	1,777,683
Investments	107,033,929	87,632,891
Total financial assets	131,951,852	118,316,145
Less amounts not available to be used within one year		
Net assets with donor restrictions		
Time or purpose including long-term receivables	11,628,969	13,049,868
Property, equipment, and improvements	2,317,995	1,652,627
Donor endowments - corpus and earnings	17,213,646	13,833,258
Net assets designated by the board - unavailable within one year	18,528,795	16,662,559
Total amounts not available within one year	49,689,405	45,198,312
Financial assets available to meet general expenditures over the next twelve months	\$ 82,262,447	\$ 73,117,833

Canine Companions strives to maintain financial assets to meet 90 days of operating expenses (approximately \$11,100,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Canine Companions intends to meet operating expenses during 2026 by utilizing cash and cash equivalents. The Board of Directors can undesignate the board-designated funds and make them available for general operations.

Note 16 – Pension Plan

Canine Companions sponsors a 403(b) defined contribution pension plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by Canine Companions are based on eligible compensation and include elective and matching contributions not to exceed 6% of compensation for 2025. For the years ended December 31, 2025 and 2024, the amount of pension expense was approximately \$990,000 and \$808,000, respectively.

Canine Companions for Independence, Inc.

Notes to Consolidated Financial Statements

Note 17 – Concentrations of Credit Risk

Canine Companions has identified financial instruments that potentially subject it to credit risk. These financial instruments consist principally of cash, investments, and receivables. Canine Companions invests its excess cash and investments with various financial institutions. These deposits include amounts, which at times, may exceed federally insured limits. The balances held in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in the Canine Companions' investment accounts are insured by the Securities Investor Protection Corporation (SIPC). Canine Companion's investments were fully insured at December 31, 2025 and 2024. These balances are held at various financial institutions, which management believes have a high credit rating and the ability to return the deposits on request. If any of the financial institutions with whom Canine Companions does business were to be placed into receivership, the Organization may be unable to access the cash on deposit with such institutions. If Canine Companions is unable to access its cash and cash equivalents as needed, the financial position and ability to operate the Organization could be adversely affected.

Receivables consist primarily of unsecured amounts due from individuals, trusts, and estates. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance. 11% and 25% of all bequests recognized were related to 1 donor and 2 donors for the years ended December 31, 2025 and 2024, respectively.

Total contributions from board members are approximately \$787,000 and \$2,909,000 for the years ended December 31, 2025 and 2024, respectively.

Note 18 – Affiliation Agreement

Baylor Scott & White Health (BSWH) and Canine Companions originally entered into an affiliation and management agreement effective September 30, 2013. The parties cooperated in the development of Canine Companions' South Central Training Center in Irving, Texas, built and owned by BSWH at its sole cost and expense but operated, staffed, and managed by Canine Companions. The new campus, built and owned by BSWH, opened October 2015. The project included dormitory rooms and kennels with the overall objective of developing a campus capable of graduating approximately 60 new service dog teams per year.

The initial term of the agreement was for 10 years. In consideration of the benefits of affiliation with Canine Companions and Canine Companions' commitment to establishing and operating a whelping center, the Canine Early Development Center (CEDC), near its campus in Santa Rosa, BSWH made a one-time contribution to Canine Companions of \$500,000 intended to fund 50% of the operating costs of the CEDC for its first 3 years, ended June 30, 2019. Besides ensuring the underwriting of the operating costs of the Canine Companions' program in Texas, BSWH also paid Canine Companions a \$470,000 fee per annum beginning January 1, 2014, representing the approximate historical fundraising amount by Canine Companions in Texas. In subsequent years, BSWH was charged an annual management fee not to exceed 7% of the mutually approved annual budget for the Training Center.

Canine Companions for Independence, Inc. Notes to Consolidated Financial Statements

BSWH and Canine Companions entered into a new five-year agreement effective July 1, 2022. Under this new agreement, Canine Companions will now be solely responsible for its own fundraising with no further reliance on fundraising support from BSWH.

BSWH shall pay to Canine Companions annual fixed fees as follows, payable in substantially equal monthly installments (and pro-rated for any partial fiscal year):

<u>Fiscal Year</u>	<u>Management Fee</u>
July 1, 2025 - June 30, 2026	\$ 221,000
July 1, 2026 - June 30, 2027	\$ 221,000

Subject to puppy supply and satisfaction of placement criteria, Canine Companions will seek to place with members of the BSWH community up to 20% of the puppies raised or trained at the facility.

As of December 31, 2025 and 2024, the outstanding receivable under this arrangement is approximately \$66,000.

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Note: Document(s) on Canine Companions website have been provided in PDF format.

If for any reason you are unable to view the provided document(s), please contact 1-800-572-BARK (2275) and an alternative method of sharing this information will be determined.