

FIDELCO GUIDE DOG FOUNDATION, INC.

Independent Auditors' Report and
Financial Statements

June 30, 2023 and 2022



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FIDELCO GUIDE DOG FOUNDATION, INC.

Contents

June 30, 2023 and 2022

Independent Auditors' Report.....	1 - 2
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 - 18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fidelco Guide Dog Foundation, Inc.

Opinion

We have audited the accompanying financial statements of Fidelco Guide Dog Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Fidelco Guide Dog Foundation, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fidelco Guide Dog Foundation, Inc. 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.

Emphasis of Matter

The majority of the Organization's net assets have permanent restrictions which are not ordinarily released. As discussed Note 7 to the financial statements, the Organization successfully petitioned to have \$2 million in net assets with donor restrictions reclassified to net assets without donor restrictions subsequent to the year ended June 30, 2023 under the Doctrine of Cy Pres. This release helped the Organization with general operating expenses as well as support for first-time guide dog placements. Future releases may be necessary and sought by management (see notes 5 and 11). Our opinion is not modified with respect to these matters.

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 Fidelco Guide Dog Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 Fidelco Guide Dog Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fidelco Guide Dog Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



Hartford, Connecticut
March 15, 2024

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Financial Position

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 162,608	\$ 370,723
Investments:		
Securities	8,165,830	8,849,373
Held in trust by others	1,714,724	1,723,068
Charitable remainder trusts	213,445	209,784
Land, building and equipment, net	4,826,923	5,008,340
Other assets	122,503	138,731
Contributions receivable	114,235	148,813
Total assets	\$ 15,320,268	\$ 16,448,832
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 283,912	\$ 300,523
Pension benefit obligation	841,449	1,173,089
Notes payable	116,246	117,177
Line of credit	1,491,558	1,499,976
Margin Loan	996,309	-
Total liabilities	3,729,474	3,090,765
Net assets:		
Net assets without donor restrictions:		
Operations	(4,105,565)	(2,336,287)
Land, building and equipment	4,740,798	4,891,163
Total net assets without donor restrictions	635,233	2,554,876
Net assets with donor restrictions	10,955,561	10,803,191
Total net assets	11,590,794	13,358,067
Total liabilities and net assets	\$ 15,320,268	\$ 16,448,832

The accompanying notes are an integral part of the financial statements.

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Activities

For the years ended June 30, 2023 and 2022

	2023	2022
Change in net assets without donor restrictions:		
Program support and revenue:		
Contributions	\$ 2,943,215	\$ 2,914,099
Sales of products and services	41,903	54,056
Events	15,270	63,873
Other program	12,964	24,015
Total program support and revenue	3,013,352	3,056,043
Operating expenses:		
Program services	3,898,126	3,929,133
Management and general	1,575,219	1,722,381
Fundraising and special events	939,072	890,876
Total operating expenses	6,412,417	6,542,390
Change in net assets without donor restrictions before other revenue/(expenses)	(3,399,065)	(3,486,347)
Other revenue/(expenses):		
Gain/(loss) from investments, net	791,366	(1,154,117)
Gain/(loss) from disposal of assets	13,500	-
Rental income, net	53,696	58,316
Pension benefits related changes other than net periodic pension cost	495,860	771,087
Net assets released from program and time restrictions	125,000	2,363,788
Total other revenue/(expenses)	1,479,422	2,039,074
Change in net assets without donor restrictions	(1,919,643)	(1,447,273)
Change in net assets with donor restrictions:		
Contributions	282,053	95,584
Change in value of trusts	(4,683)	(216,830)
Net assets released from program and time restrictions	(125,000)	(2,363,788)
Change in net assets with donor restrictions	152,370	(2,485,034)
Change in net assets	(1,767,273)	(3,932,307)
Net assets, beginning of year	13,358,067	17,290,374
Net assets, end of year	\$ 11,590,794	\$ 13,358,067

The accompanying notes are an integral part of the financial statements.

FIDELCO GUIDE DOG FOUNDATION, INC.

Statement of Functional Expenses

For the year ended June 30, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 1,989,654	\$ 572,501	\$ 569,406	\$ 3,131,561
Employee benefits	537,637	181,659	85,755	805,051
Kennel and medical costs	352,192	-	-	352,192
Depreciation	241,179	26,435	22,029	289,643
Utilities	213,912	26,203	22,739	262,854
Payroll taxes	125,875	52,742	82,662	261,279
Office software	-	230,639	-	230,639
Travel, meals, entertainment	187,410	2,263	3,535	193,208
Office supplies	73,342	69,273	45,107	187,722
Insurance	-	175,047	-	175,047
Other	35,602	101,897	14,005	151,504
Consulting fees	137,459	5,301	-	142,760
Professional fees	-	130,140	-	130,140
Marketing	-	-	81,728	81,728
Special events	-	-	12,037	12,037
Technology	1,887	610	-	2,497
Conferences	1,977	509	69	2,555
Total expenses	<u>\$ 3,898,126</u>	<u>\$ 1,575,219</u>	<u>\$ 939,072</u>	<u>\$ 6,412,417</u>

The accompanying notes are an integral part of the financial statements.

FIDELCO GUIDE DOG FOUNDATION, INC.

Statement of Functional Expenses

For the year ended June 30, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 2,003,610	\$ 585,966	\$ 540,978	\$ 3,130,554
Employee benefits	585,922	186,985	100,264	873,171
Kennel and medical costs	320,792	-	-	320,792
Depreciation	240,543	27,922	23,173	291,638
Professional fees	-	281,910	-	281,910
Payroll taxes	128,950	54,938	78,372	262,260
Utilities	207,411	24,453	21,109	252,973
Travel, meals, entertainment	248,908	1,489	1,879	252,276
Office software	-	228,245	-	228,245
Office supplies	68,695	113,903	40,643	223,241
Insurance	-	180,262	-	180,262
Consulting fees	72,012	5,320	-	77,332
Other	43,337	27,023	5,686	76,046
Marketing	-	-	69,085	69,085
Special events	-	-	9,598	9,598
Technology	4,706	3,660	-	8,366
Conferences	4,247	305	89	4,641
Total expenses	<u>\$ 3,929,133</u>	<u>\$ 1,722,381</u>	<u>\$ 890,876</u>	<u>\$ 6,542,390</u>

The accompanying notes are an integral part of the financial statements.

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Total change in net assets	\$ (1,767,273)	\$ (3,932,307)
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	289,643	291,638
Unrealized (gain)/loss on investments	(643,878)	1,887,825
Realized (gain) on sale of investments	(9,279)	(536,011)
Net change in value of trusts	4,683	216,830
Change in operating assets and liabilities:		
Other assets	16,228	19,733
Contributions receivable	34,578	(30,651)
Accounts payable and accrued liabilities	(16,611)	159,838
Pension benefit obligation	(331,640)	(556,228)
Net change in cash from operating activities	(2,423,549)	(2,479,333)
Cash Flows from Investing Activities		
Purchases of investments	(276,534)	(569,551)
Proceeds from sales of investments	1,613,234	3,145,624
Purchases of fixed assets	(108,226)	(112,510)
Net change in cash from investing activities	1,228,474	2,463,563
Cash Flows from Financing Activities		
Proceeds from line of credit	1,316,679	1,344,380
Principal payments on line of credit	(1,325,097)	(1,340,000)
Proceeds from margin loan	996,309	-
Proceeds from issuance of debt	33,392	-
Principal payments on DECD loan	(31,052)	(27,913)
Principal payments on long term debt	(3,271)	-
Net change in cash from financing activities	986,960	(23,533)
Net change in cash and cash equivalents	(208,115)	(39,303)
Cash and cash equivalents, beginning of year	370,723	410,026
Cash and cash equivalents, end of year	\$ 162,608	\$ 370,723
Supplemental Cash Flow Information		
Cash paid for interest	\$ 90,847	\$ 45,824

The accompanying notes are an integral part of the financial statements.

FIDELCO GUIDE DOG FOUNDATION, INC.

Notes to Financial Statements

June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Fidelco Guide Dog Foundation, Inc. (Fidelco) is incorporated as a charitable and educational organization under the laws of the State of Connecticut. Its principal purposes include:

- Promoting increased independence and mobility to men and women who are blind by providing them with the highest quality guide dogs.
- Providing educational services to blind clients utilizing Fidelco guide dogs over the working life of their animals.
- Training and “in-community” placement of the highest quality guide dogs.
- Maintaining Fidelco guide dog performance to the highest professional level attainable.
- Continuing to refine the breed of the Fidelco German Shepherd dog through genetic and clinical methods.
- Developing improved training methods.
- Educating the public on how blind persons can lead independent and productive lives through the use of a guide dog.

Basis of Presentation - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. An estimate that is particularly critical and is susceptible is the valuation for expenses and liabilities for pension benefits. Actual results could differ from those estimates.

The Fidelco complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (FASB) Codification. Under this topic, Fidelco is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

Net assets with donor restrictions – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by Fidelco is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Fidelco. This classification includes investment income and appreciation, which can be expended, but for which restrictions have not yet been met.

Cash and Cash Equivalents - Fidelco considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are reported at fair value and reflect any gain or loss in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Non-monetary investments received as gifts are immediately sold and recorded at the realized value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements - Fair value is based on exit price in the principal market for the asset or liability being measured at fair value, and is the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. A three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities is described as follows:

Level 1 - Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Assets and liabilities whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

In determining fair value, Fidelco utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in their assessment of fair value.

There have been no changes in the methodology used to measure fair value at June 30, 2023 and 2022.

The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents – valued at net asset value (“NAV”) of \$1

Equity securities, debt securities, government backed securities, fixed income, exchange traded funds, and mutual funds are based on quoted market prices

Equity REITs are based on the net asset value per share of the investment calculated at the measurement date

Endowment Assets - Fidelco’s endowment funds are subject to the *Connecticut Uniform Prudent Management of Institutional Funds Act*, which includes enhanced disclosures for the endowment funds.

Fidelco adopted a spending policy designed to support Fidelco’s mission. The policy provides funds for current operating needs while allowing growth of principal to support future operations.

Fidelco’s policy is to present donor restricted investments held in trust income distributions earned during the year with net assets without donor restrictions. Currently, none of Fidelco’s investment earnings or donor restricted investments held in trust income distributions are subject to donor restrictions.

Investments held in trust by others represent the market value of Fidelco’s rights to split-interest agreements. Fidelco’s split-interest agreement assets are classified as donor restricted net assets because they are perpetual trusts. The present value of the future payments is estimated to equal the current market value of these investments, and they are recorded by Fidelco at this value.

Contributions - Contributions received are recorded as net assets with or without donor restricted support, depending on the existence and/or nature of any donor or time restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions are recognized when the donor makes a promise to give to Fidelco that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Fidelco records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. The contribution receivable consists of one multi-year pledge from a trust, which was discounted at 6% with a balance of \$65,642 and \$52,479 as of June 30, 2023 and 2022 and a total of \$137,433 will be received over a 23 year period which began in 2012. Fidelco will receive payments of \$27,487 during the years ending June 30, 2025, 2030 and 2035. As of June 30, 2023 and 2022, there was also \$38,334 and \$96,334 in other contributions owed to Fidelco. As of June 30, 2023 and 2022 there was no allowance for bad debt.

Fidelco is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

Charitable Remainder Trusts - Fidelco received contributions in the form of charitable remainder trusts. Under the terms of the trusts, Fidelco is to receive the assets of each trust upon the death of the donor while the donor is to receive the income from the trust investments for life. Fidelco is not the Trustee of the trusts. Upon notification of each trust, Fidelco records receipt of the contribution at fair market value discounted for the present value of the estimated future payments based on the life expectancy of each donor and the expected rate of return on trust assets. Life expectancy is based on published actuarial tables. Should the donor surpass the projection per the actuarial table, the contribution is carried at the current fair market value. Changes in the value of each trust at the financial statement date were adjusted for appreciation or depreciation in trust assets and the updated life expectancy of each donor.

Tax Exempt Status - The Internal Revenue Service (IRS) determined that Fidelco is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, Fidelco is exempt from state income taxes and no provision for income taxes has been made in the accompanying financial statements.

Fixed Assets - Fidelco capitalizes all expenditures for building and equipment having a useful life of greater than one year. Purchased buildings and equipment are recorded at cost. Donated building and equipment are recorded at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings have a life of forty (40) years, improvements range from five (5) to twenty (20) years, and equipment and vehicles range from three (3) to six (6) years.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Products and Services - Contributed products and services are recorded at their estimated values at date of receipt. The majority of Fidelco's contributed products and services relate to various advertising media and services received in connection with promoting Fidelco and its principal fundraising activities.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. These costs include direct and indirect costs that have been allocated based on time and effort, on a consistent basis, among the program and supporting services benefited.

Pension Plan - Fidelco maintains a contributory defined benefit pension plan covering all full-time employees. It is Fidelco's policy to fund pension costs accrued.

Concentration of Credit Risk - Fidelco maintains its cash in bank accounts which, at times, may exceed federally insured limits. Fidelco has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Fidelco invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks, depending on the nature of the specific investment; therefore, it is at least reasonably possible that these factors will result in changes in the value of Fidelco's investments, which could materially affect amounts reported in the financial statements.

Major Donors - Contributions received from major donors were as follows for the years ended June 30:

Donor	2023		2022	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 150,000	4.7%	\$ 150,000	5.0%
B	135,000	4.2%	135,000	4.5%
C	156,185	4.8%	104,002	3.5%
D	101,000	3.1%	110,689	3.7%
E	200,000	6.2%	100,000	3.3%
	<u>\$ 742,185</u>	<u>23.0%</u>	<u>\$ 599,691</u>	<u>20.0%</u>

Subsequent Events - In connection with the preparation of the financial statements, management has evaluated events for footnote disclosure or adjustments required in its financial statements for the year then ended June 30, 2023 through March 15, 2024, the date the financial statements were available to be issued.

NOTE 2 – GAIN/LOSS ON INVESTMENTS, NET

Gain on investments was comprised of the following for the year ended June 30:

	2023	2022
Dividends and interest	\$ 159,950	\$ 233,577
Realized gains	9,279	536,011
Unrealized gains/(losses)	643,878	(1,887,825)
	<u>813,107</u>	<u>(1,118,237)</u>
Investment expenses	(21,741)	(35,880)
Gain/(loss) from investments, net	<u>\$ 791,366</u>	<u>\$ (1,154,117)</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The following table details the financial instruments carried at fair value as of June 30, 2023 and 2022 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	2023			
	Level 1	Level 2	Level 3	Total
Domestic:				
Short-term investments	\$ 1,607,691	\$ -	\$ -	\$ 1,607,691
Equity securities	1,961,949	-	-	1,961,949
Debt securities	-	2,539,112	-	2,539,112
Fixed income	188,313	-	-	188,313
Exchange traded funds	633,981	-	-	633,981
Real estate and REITs	257,801	-	-	257,801
Government backed securities	-	138,047	-	138,047
International and emerging markets:				
Equity securities	807,795	-	-	807,795
Debt securities	-	31,141	-	31,141
	<u>\$ 5,457,530</u>	<u>\$ 2,708,300</u>	<u>\$ -</u>	<u>\$ 8,165,830</u>
2022				
	Level 1	Level 2	Level 3	Total
Domestic:				
Short-term investments	\$ 1,436,827	\$ -	\$ -	\$ 1,436,827
Equity securities	2,218,168	-	-	2,218,168
Debt securities	-	3,845,522	-	3,845,522
Fixed income	212,840	-	-	212,840
Real estate and REITs	248,432	-	-	248,432
Government backed securities	-	144,346	-	144,346
International and emerging markets:				
Equity securities	711,969	-	-	711,969
Debt securities	-	31,269	-	31,269
	<u>\$ 4,828,236</u>	<u>\$ 4,021,137</u>	<u>\$ -</u>	<u>\$ 8,849,373</u>

Fidelco has taken out a margin loan collateralized by Fidelco's securities. Footnote 11 describes the margin loan.

NOTE 4 – ENDOWMENT ASSETS

The reconciliation of Fidelco's endowment assets is as follows:

	2023	2022
Beginning balance	\$ 10,803,191	\$ 13,288,225
Contributions	282,053	95,584
Change in value of trusts	(4,683)	(216,830)
Net assets released from program and time restrictions	(125,000)	(2,363,788)
Ending balance	<u>\$ 10,955,561</u>	<u>\$ 10,803,191</u>

NOTE 5 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The following table reflects Fidelco’s financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets available at year end:		
Cash and cash equivalents	\$ 162,608	\$ 370,723
Accounts receivable - due within one year	358	86
Contribution receivable - due within one year	48,593	68,334
Investment securities	8,165,830	8,849,373
Total financial assets	<u>8,377,389</u>	<u>9,288,516</u>
 Less amounts with donor restrictions	 (9,027,392)	 (8,870,339)
 Less collateralized securities for margin loan liabilities		
Total collateralized securities for margin loan	(3,904,911)	-
Add borrowing capacity on margin loan	791,891	-
Total collateralized securities for margin loan liabilities	<u>(3,113,020)</u>	<u>-</u>
 Net financial assets available to meet general expenditures prior to subsequent release of net asset restriction	 (3,763,023)	 418,177
 Subsequent release of net asset restriction	 <u>2,000,000</u>	 <u>-</u>
 Net financial assets available to meet general expenditures after subsequent release of net asset restriction	 <u>\$ (1,763,023)</u>	 <u>\$ 418,177</u>

Fidelco manages its liquidity by preparing annual budgets that provide sufficient funds to operate within a prudent range of financial soundness and stability and meet other obligations as they become due. In addition, the following steps have been taken by management to reduce the liquidity shortfall:

- Management successfully petitioned the Attorneys General for a release of \$2,000,000 from the Successor Guide Dog Program in permanent net asset restrictions in May 2022 and an additional release of \$2,000,000 from the program in September 2023.
- Management also has estimated, based on historical trends that there are significant amounts of planned giving and bequests that are locked up in probate court which has been closed and slow to approve wills due to the recent COVID-19 pandemic.
- Dog placements will be prioritized in the Eastern United States to reduce travel expenses.
- Fidelco changed its IT Provider and Payroll Provider, outsourced finance services, and consolidated administrative positions to reduce operating expenses.

NOTE 6 – LAND, BUILDING AND EQUIPMENT

Balances of major classes of depreciable assets and total accumulated depreciation are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 1,199,642	\$ 1,199,642
Building and improvements	8,489,587	8,486,724
Equipment and vehicles	1,403,343	1,338,979
	<u>11,092,572</u>	<u>11,025,345</u>
Less: accumulated depreciation	<u>(6,265,649)</u>	<u>(6,017,005)</u>
	<u><u>\$ 4,826,923</u></u>	<u><u>\$ 5,008,340</u></u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions comprised of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts with time restrictions:		
Charitable remainder trust	\$ 213,445	\$ 209,784
Contributions receivable	83,250	120,088
	<u>296,695</u>	<u>329,872</u>
Amount with purpose restrictions:		
Guide dog placement program for veterans	99,019	54,019
Partner with vision	140,000	140,000
Various programs	201,226	52,335
	<u>440,245</u>	<u>246,354</u>
Amounts with permanent donor restrictions:		
Successor guide dog program	5,800,000	5,800,000
First time placement program	1,195,897	1,195,897
Investments - held in trust by others	1,714,724	1,723,068
Puphouse maintenance program	650,000	650,000
Apprentice program	300,000	300,000
Guide dog placement program	298,000	298,000
Guide dog training program	250,000	250,000
Endowment fund - other	10,000	10,000
	<u>10,218,621</u>	<u>10,226,965</u>
Total net assets with donor restrictions	<u><u>\$ 10,955,561</u></u>	<u><u>\$ 10,803,191</u></u>

Net assets released from time and purpose restrictions for the years ended June 30 were as follows:

	<u>2023</u>	<u>2022</u>
Guide dog placement program for veterans	\$ 66,000	\$ 233,382
Contributions receivable	50,000	10,333
Various programs	9,000	120,073
	<u><u>\$ 125,000</u></u>	<u><u>\$ 363,788</u></u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the year ended June 30, 2022, Fidelco’s management petitioned the Probate Court to release \$2,000,000 from permanent restrictions. The Probate Court granted the request under the Cy Pres Doctrine, which is a legal principle that allows courts to modify the terms of a charitable trust in order to better align the trust’s purpose with the donor’s intent, when it is no longer possible or practical to carry out the trust’s original purpose.

NOTE 8 – PENSION PLAN

Fidelco has a defined benefit pension plan covering substantially all employees who meet the eligibility requirements of the pension plan. The employer contribution is 2.3% of employee contributions. Pension benefits are based on years of credited service and employees' average annual earnings, as defined in the plan. Fidelco’s funding policy is to make the minimum annual contribution required by applicable regulations.

The following table sets forth the plan’s funded status and amount recognized in the financial statements as of and for the years ended June 30, 2023 and 2022, using a measurement date of the same date:

	<u>2023</u>	<u>2022</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 3,701,709	\$ 4,597,520
Service cost	142,330	211,505
Interest cost	168,298	128,856
Actuarial (gain)/loss	(294,801)	(1,102,613)
Benefits paid	<u>(143,327)</u>	<u>(133,559)</u>
Present value, end of year	<u>3,574,209</u>	<u>3,701,709</u>
Change in plan assets:		
Fair value (level 1), beginning of year	2,528,620	2,868,203
Actual return (loss) on assets, less expense charges	232,551	(344,501)
Contributions	114,916	138,477
Benefits paid	<u>(143,327)</u>	<u>(133,559)</u>
Fair value (level 1), end of year	<u>2,732,760</u>	<u>2,528,620</u>
Unfunded status of pension benefits	<u>\$ 841,449</u>	<u>\$ 1,173,089</u>
Components of net periodic pension benefits cost:		
Service cost	\$ 142,330	\$ 211,505
Interest cost	168,298	128,856
Expected return on plan assets	(150,146)	(172,075)
Amortization of unrecognized net loss	3,739	46,573
Net periodic pension benefit cost	<u>\$ 164,221</u>	<u>\$ 214,859</u>

NOTE 8 – PENSION PLAN (CONTINUED)

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Weighted average discount rate	5.20%	4.65%
Assumed rate of future compensation increase	3.00%	3.00%
Expected long-term rate of return on plan assets	6.00%	6.00%
Cash balance interest crediting rate	0.00%	0.00%

The expected long-term rate of return on the plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio. Asset allocation is determined by the Board of Directors.

During the year, the plan experienced significant gains in PBO due to the increase in discount rate from 4.65% to 5.20%.

All pension plan assets consist of mutual funds and are valued utilizing Level 1 inputs, which consist of unadjusted quoted prices in active markets for identical assets. Pension plan assets are categorized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Asset category:		
Cash and cash equivalents	3%	3%
Debt securities	30%	33%
Equity securities	61%	58%
Exchange traded funds	6%	6%
	<u>100%</u>	<u>100%</u>

The following future pension benefits are expected to be paid:

For the year ended June 30, 2024	\$ 177,000
2025	181,000
2026	193,000
2027	205,000
2028	210,000
Five years thereafter	<u>1,117,000</u>
	<u>\$ 2,083,000</u>

NOTE 9 – LINE OF CREDIT

Fidelco has a \$1,500,000 line of credit. The interest rate is set at the bank's prime rate less 1% (7.50% and 3.75% at June 30, 2023 and 2022, respectively). The line of credit matures on August 28, 2024 and is secured by the Bloomfield and Wilton property. As of June 30, 2023 and 2022, \$1,491,558 and \$1,499,976 was drawn on the line of credit.

NOTE 10 – NOTES PAYABLE

During 2015, Fidelco entered into a loan agreement with the State of Connecticut Department of Economic and Community Development for \$300,000. Monthly installments are made of \$2,764 until maturity on September 1, 2025, with interest charged at rate of 2% per annum. The loan was used to purchase equipment which is used as collateral for the loan.

On September 9, 2022 Fidelco entered into two loan agreements for a total of \$33,392. Monthly installments are made of \$586 until maturity on September 24, 2028, with interest charged at a rate of 7.91% per annum. The loans were used to purchase two vehicles which are used as collateral for the loans.

The following minimum principal payments are required:

For the year ending June 30, 2024	\$	36,504
2025		37,552
2026		27,749
2027		6,107
2028		6,608
Thereafter		1,726
	\$	<u>116,246</u>

NOTE 11 – MARGIN LOAN

Fidelco maintains a margin loan with its broker and is collateralized by Fidelco's securities. Margin credit is extended by the National Financial Services, LLC, Member NYSE, SIPC (the "Firm"). As of June 30, 2023, the securities collateralizing the margin loan had a fair value of \$3,904,911. The cost basis of these investments was \$3,682,642. As of June 30, 2023, the margin loan balance was \$996,309 with an availability to borrow up to an additional \$791,891. The interest rate at June 30, 2023 was 6.50% and is charged monthly.

The actual amount of borrowing available under the margin loan and the Firm's margin maintenance requirements may vary depending on the Firm's internal margin policies, which exceed the margin requirements of FINRA and NYSE. The Firm's margin policies are subject to review and revision at any time in the Firm's sole discretion. The Firm reserves the right to alter the terms on the margin loan at any time to comply with changes to the Firm's policies. If the securities decline in value, so does the value of the collateral supporting the margin loan, and, as a result, the Firm can take action, such as issuing a margin call or selling securities or other assets in any of the investment accounts, in order to maintain the required equity in the account.

There are certain risks involved in trading securities on margin. Fidelco can lose more funds than deposits in the margin account. The Firm can force the sale of securities or other assets in the account. The Firm can sell securities of other assets without contacting Fidelco. Fidelco is not entitled to choose which securities or other assets to be liquidated or sold to meet a margin call. The Firm can increase its house maintenance margin requirements at any time and is not required to provide Fidelco with advance written notice. Fidelco is not entitled to an extension of time on a margin call.

NOTE 12 – OPERATING DEFICIT AND MANAGEMENT’S PLANS

Fidelco’s management and board are regularly evaluating its programs, service and operations. In light of the COVID-19 pandemic, there has been a greater emphasis on digital presence and fundraising. New partnerships have been forged to help extend the Fidelco messaging in expanded markets, and an initiative to launch fundraising efforts in additional states is underway. Fidelco is also creating relationships with foundations that have not previously provided support. Expenses continue to be tightly managed.

Management also has estimated, based on historical trends that there are significant amounts of planned giving and bequests that are locked up in probate court which has been closed and slow to approve wills due to the recent COVID-19 pandemic. Management has focused on reducing payroll and computer vendor costs by reviewing agreements. Management is also focusing on reducing salary costs by efficiently allocating resources throughout the organization. Management has also reviewed the placement and follow-up process with the dogs. Management is reviewing the follow-up visit procedures as well. Additional steps taken by management have been disclosed in Note 5.

NOTE 13 – SUBSEQUENT EVENTS

On September 26, 2023, management successfully petitioned the Attorney General for a release of \$2,000,000 in permanent net asset restrictions.

The Firm increased the amount available to borrow from \$791,892 to \$3,178,230 between July 1, 2023 and December 31, 2023. Fidelco borrowed an additional \$1,672,300 on the margin loan between July 1, 2023 and December 31, 2023 with an availability to borrow up to an additional \$1,505,849. As of December 31, 2023, the securities collateralizing the margin loan had a fair value of \$8,550,337. The cost basis of these investments was \$7,917,811.

On December 1, 2023, the Connecticut Probate Court named Fidelco as the recipient of \$455,997 from The Estate of Mary Jean Kilfoil. Fidelco received the bequest on January 19, 2024.

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