

FIDELCO GUIDE DOG FOUNDATION, INC.

Independent Auditors' Report and
Financial Statements

June 30, 2022 and 2021



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FIDELCO GUIDE DOG FOUNDATION, INC.

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June 30, 2022 and 2021

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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., which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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 during the year ended June 30, 2022 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.

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Hartford, Connecticut
January 26, 2023

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 370,723	\$ 410,026
Investments:		
Securities	8,849,373	12,777,260
Held in trust by others	1,723,068	1,892,815
Charitable remainder trusts	209,784	256,867
Land, building and equipment, net	5,008,340	5,187,468
Other assets	138,731	158,464
Contributions receivable	148,813	118,162
Total assets	\$ 16,448,832	\$ 20,801,062
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 300,523	\$ 140,685
Pension benefit obligation	1,173,089	1,729,317
DECD loan	117,177	145,090
Line of credit	1,499,976	1,495,596
Total liabilities	3,090,765	3,510,688
Net assets:		
Net assets without donor restrictions:		
Operations	(2,336,287)	(1,040,229)
Land, building and equipment	4,891,163	5,042,378
Total net assets without donor restrictions	2,554,876	4,002,149
Net assets with donor restrictions	10,803,191	13,288,225
Total net assets	13,358,067	17,290,374
Total liabilities and net assets	\$ 16,448,832	\$ 20,801,062

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, 2022 and 2021

	2022	2021
Change in net assets without donor restrictions:		
Program support and revenue:		
Contributions	\$ 2,914,099	\$ 2,323,844
Sales of products and services	54,056	49,471
Events	63,873	18,584
Other program	24,015	95,045
Total program support and revenue	3,056,043	2,486,944
Operating expenses:		
Program services	3,929,133	3,967,865
Management and general	1,722,381	1,610,580
Fundraising and special events	890,876	870,475
Total operating expenses	6,542,390	6,448,920
Change in net assets without donor restrictions before other revenue/(expenses)	(3,486,347)	(3,961,976)
Other revenue/(expenses):		
(Loss)/gain from investments, net	(1,154,117)	2,808,861
Rental income, net	58,316	66,805
Pension benefits related changes other than net periodic pension cost	771,087	691,480
Paycheck protection program	-	612,693
Net assets released from program and time restrictions	2,363,788	254,312
Total other revenue/(expenses)	2,039,074	4,434,151
Change in net assets without donor restrictions	(1,447,273)	472,175
Change in net assets with donor restrictions:		
Contributions	95,584	263,675
Change in value of trusts	(216,830)	248,907
Net assets released from program and time restrictions	(2,363,788)	(254,312)
Change in net assets with donor restrictions	(2,485,034)	258,270
Change in net assets	(3,932,307)	730,445
Net assets, beginning of year	17,290,374	16,559,929
Net assets, end of year	\$ 13,358,067	\$ 17,290,374

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

	Program	Management and General	Fundraising	Total
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	\$ 3,929,133	\$ 1,722,381	\$ 890,876	\$ 6,542,390

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, 2021

	Program	Management and General	Fundraising	Total
Personnel costs	\$ 1,992,652	\$ 559,348	\$ 522,637	\$ 3,074,637
Employee benefits	694,584	193,150	101,974	989,708
Depreciation	292,829	30,463	25,477	348,769
Utilities	223,223	28,315	24,394	275,932
Kennel and medical costs	265,549	-	-	265,549
Payroll taxes	139,044	52,428	71,539	263,011
Office software	-	234,748	-	234,748
Office supplies	59,144	115,161	45,510	219,815
Insurance	-	199,882	-	199,882
Professional fees	9,100	157,555	-	166,655
Travel, meals, entertainment	125,425	961	518	126,904
Other	83,526	28,960	11,693	124,179
Consulting fees	75,074	5,798	-	80,872
Marketing	-	-	59,955	59,955
Technology	4,458	3,546	-	8,004
Special events	-	-	6,430	6,430
Conferences	3,257	265	348	3,870
	\$ 3,967,865	\$ 1,610,580	\$ 870,475	\$ 6,448,920

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Total change in net assets	\$ (3,932,307)	\$ 730,445
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	291,638	348,769
Unrealized (gain)/loss on investments	1,887,825	(2,197,388)
Realized (gain)/loss on sale of investments	(536,011)	(417,690)
Net change in value of trusts	216,830	(248,907)
Change in operating assets and liabilities:		
Other assets	19,733	6,895
Contributions receivable	(30,651)	9,981
Accounts payable and accrued liabilities	159,838	(19,363)
Pension benefit obligation	(556,228)	(416,933)
Net change in cash from operating activities	(2,479,333)	(2,204,191)
Cash Flows from Investing Activities		
Purchases of investments	(569,551)	(148,268)
Proceeds from sales of investments	3,145,624	1,879,297
Purchases of fixed assets	(112,510)	(95,716)
Net change in cash from investing activities	2,463,563	1,635,313
Cash Flows from Financing Activities		
Proceeds from line of credit	1,344,380	1,277,596
Principal payments on line of credit	(1,340,000)	(675,000)
Principal payments on DECD loan	(27,913)	(27,406)
Net change in cash from financing activities	(23,533)	575,190
Net change in cash and cash equivalents	(39,303)	6,312
Cash and cash equivalents, beginning of year	410,026	403,714
Cash and cash equivalents, end of year	\$ 370,723	\$ 410,026
Supplemental Cash Flow Information		
Cash paid for interest	\$ 45,824	\$ 30,371

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

FIDELCO GUIDE DOG FOUNDATION, INC.

Notes to Financial Statements

June 30, 2022 and 2021

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$52,479 and \$49,495 as of June 30, 2022 and 2021 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, 2022 and 2021, there was also \$96,334 and \$68,667 in other contributions owed to Fidelco. As of June 30, 2022 and 2021 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	2022		2021	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 150,000	5.0%	\$ 135,000	5.3%
B	135,000	4.5%	90,000	3.5%
C	104,002	3.5%	-	0.0%
D	110,689	3.7%	-	0.0%
E	100,000	3.3%	50,000	2.0%
	<u>\$ 599,691</u>	<u>20.0%</u>	<u>\$ 275,000</u>	<u>10.8%</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, 2022 through January 26, 2023, 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:

	2022	2021
Dividends and interest	\$ 233,577	\$ 247,377
Realized gains	536,011	417,690
Unrealized gains/(losses)	(1,887,825)	2,197,388
	(1,118,237)	2,862,455
Investment expenses	(35,880)	(53,594)
Gain/(loss) from investments, net	<u>\$ (1,154,117)</u>	<u>\$ 2,808,861</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The following table details the financial instruments carried at fair value as of June 30, 2022 and 2021 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	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>
	2021			
	Level 1	Level 2	Level 3	Total
Domestic:				
Short-term investments	\$ 2,230,768	\$ -	\$ -	\$ 2,230,768
Equity securities	3,166,181	-	-	3,166,181
Debt securities	-	4,743,841	-	4,743,841
Fixed income	427,044	-	-	427,044
Real estate and REITs	350,797	-	-	350,797
Government backed securities	-	161,138	-	161,138
International and emerging markets:				
Equity securities	1,522,779	-	-	1,522,779
Debt securities	-	174,712	-	174,712
	<u>\$ 7,697,569</u>	<u>\$ 5,079,691</u>	<u>\$ -</u>	<u>\$ 12,777,260</u>

NOTE 4 – ENDOWMENT ASSETS

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

Balance, July 1, 2020	\$ 13,029,955
Contributions	263,675
Change in value of trusts	248,907
Net assets released from program and time restrictions	<u>(254,312)</u>
Balance, June 30, 2021	13,288,225
Contributions	95,584
Change in value of trusts	(216,830)
Net assets released from program and time restrictions	<u>(2,363,788)</u>
Balance, June 30, 2022	<u>\$ 10,803,191</u>

NOTE 5 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The following table reflects Fidelco’s financial assets as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets available at year end:		
Cash and cash equivalents	\$ 370,723	\$ 410,026
Accounts receivable - due within one year	86	12,144
Contribution receivable - due within one year	68,334	28,667
Investment securities	<u>8,849,373</u>	<u>12,777,260</u>
Total financial assets	9,288,516	13,228,097
Less amounts with donor restrictions	<u>(8,870,339)</u>	<u>(11,138,543)</u>
Net financial assets available to meet general expenditures over the next twelve months	<u>\$ 418,177</u>	<u>\$ 2,089,554</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 in permanent net asset restrictions in May 2022. Management is planning to pursue additional releases from the Attorney General in fiscal year 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.
- Other long-term plans are being discussed by management.

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>2022</u>	<u>2021</u>
Land and improvements	\$ 1,199,642	\$ 1,199,642
Building and improvements	8,486,724	8,391,514
Equipment and vehicles	<u>1,338,979</u>	<u>1,460,110</u>
	11,025,345	11,051,266
Less: accumulated depreciation	<u>(6,017,005)</u>	<u>(5,863,798)</u>
	<u>\$ 5,008,340</u>	<u>\$ 5,187,468</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Amounts with time restrictions:		
Charitable remainder trust	\$ 209,784	\$ 256,867
Contributions receivable	120,088	77,437
	<u>329,872</u>	<u>334,304</u>
Amount with purpose restrictions:		
Guide dog placement program for veterans	54,019	265,351
Partner with vision	140,000	140,000
Various programs	52,335	151,858
	<u>246,354</u>	<u>557,209</u>
Amounts with permanent donor restrictions:		
Successor guide dog program	5,800,000	7,800,000
First time placement program	1,195,897	1,195,897
Investments - held in trust by others	1,723,068	1,892,815
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>10,226,965</u>	<u>12,396,712</u>
Total net assets with donor restrictions	<u>\$ 10,803,191</u>	<u>\$ 13,288,225</u>

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

	<u>2022</u>	<u>2021</u>
Guide dog placement program for veterans	\$ 233,382	\$ 167,000
Contributions receivable	10,333	64,044
Various programs	120,073	23,268
	<u>\$ 363,788</u>	<u>\$ 254,312</u>

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.

NOTE 8 – PENSION PLAN (CONTINUED)

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, 2022 and 2021, using a measurement date of the same date:

	<u>2022</u>	<u>2021</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 4,597,520	\$ 4,291,915
Service cost	211,505	203,482
Interest cost	128,856	118,771
Actuarial (gain)/loss	(1,102,613)	95,105
Benefits paid	(133,559)	(111,753)
Present value, end of year	<u>3,701,709</u>	<u>4,597,520</u>
Change in plan assets:		
Fair value (level 1), beginning of year	2,868,203	2,145,665
Actual return (loss) on assets, less expense charges	(344,501)	626,617
Contributions	138,477	207,674
Benefits paid	(133,559)	(111,753)
Fair value (level 1), end of year	<u>2,528,620</u>	<u>2,868,203</u>
Unfunded status of pension benefits	<u>\$ 1,173,089</u>	<u>\$ 1,729,317</u>
Components of net periodic pension benefits cost:		
Service cost	\$ 211,505	\$ 203,482
Interest cost	128,856	118,771
Expected return on plan assets	(172,075)	(130,970)
Amortization of unrecognized net loss	46,573	83,264
Net periodic pension benefit cost	<u>\$ 214,859</u>	<u>\$ 274,547</u>

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Weighted average discount rate	4.65%	2.85%
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 2.85% to 4.65%

NOTE 8 – PENSION PLAN (CONTINUED)

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:

	2022	2021
Asset category:		
Cash and cash equivalents	3%	2%
Debt securities	33%	36%
Equity securities	58%	56%
Exchange traded funds	6%	6%
	100%	100%

The following future pension benefits are expected to be paid:

For the year ended June 30, 2023	\$ 166,000
2024	165,000
2025	168,000
2026	181,000
2027	193,000
Five years thereafter	1,123,000
	\$ 1,996,000

NOTE 9 – LINE OF CREDIT

Fidelco has a \$1,500,000 line of credit, which is secured by investments held at Charles Schwab & Co. The interest rate is set at the bank's prime rate less 1% (3.75% and 2.25% at June 30, 2022 and 2021, respectively). The line of credit matures on May 28, 2023 and is secured by the Wilton property. As of June 30, 2022 and 2021, \$1,499,976 and \$1,495,596 was drawn on the line of credit.

NOTE 10 – DECD LOAN

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.

The following minimum principal payments are required:

For the year ending June 30, 2023	\$ 31,052
2024	31,684
2025	32,336
2026	22,105
	\$ 117,177

NOTE 11 – 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 12 – PAYCHECK PROTECTION PROGRAM

During April 2020, The Organization received approval for a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in the amount of \$727,900. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week or twenty-four week period (the covered period) following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 40% may be spent on other eligible expenditures, such as rent and utilities. The Organization received forgiveness on the loan during the year ended June 30, 2020. The PPP funds are reflected as other revenue on the Statement of Activities for the year ended June 30, 2020.

On February 10, 2021, the Organization received a second PPP loan in the amount of \$612,693. The second PPP loan has similar terms as the first loan. The Organization received forgiveness on the loan during the year ended June 30, 2021. The PPP funds are reflected as other revenue on the Statement of Activities for the year ended June 30, 2021. The forgiveness of both loans is subject to audit for up to six years.

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