



GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

**Educated Canines Assisting
With Disabilities**

December 31, 2018

Educated Canines Assisting With Disabilities

Audited Financial Statements

December 31, 2018

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Independent Auditors' Report

To the Board of Directors of
Educated Canines Assisting With Disabilities
Winchester, CT

We have audited the accompanying financial statements of Educated Canines Assisting With Disabilities (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

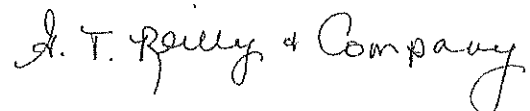
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*An independent firm associated with
Moore Stephens International Limited*

MOORE STEPHENS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educated Canines Assisting with Disabilities as of December 31, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "G.T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G.T. Reilly & Company

Milton, Massachusetts
May 13, 2019

Educated Canines Assisting with Disabilities

Statements of Financial Position
December 31

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Assets				
CURRENT ASSETS				
Cash and cash equivalents	\$ 394,877	\$ 107,468	\$ 425,344	\$ -
Accounts receivable	1,000	-	1,000	-
Contributions receivable, current portion (Note 2)	-	66,850	15,000	-
Prepaid expenses	15,804	-	8,821	-
Inventory	3,612	-	4,002	-
TOTAL CURRENT ASSETS	415,293	174,318	454,167	-
INVESTMENTS, AT FAIR VALUE (Note 3)	308,814	-	299,051	-
CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION AND DISCOUNT (Note 2)	-	69,697	-	-
PROPERTY, PLANT AND EQUIPMENT				
Land	181,511	-	31,511	-
Buildings and improvements	2,359,210	-	464,313	-
Equipment	52,046	-	89,886	-
Improvements in process	-	-	1,063,846	-
Vehicles	222,113	-	269,094	-
Less: accumulated depreciation	(340,585)	-	(480,622)	-
	2,474,295	-	1,438,028	-
TOTAL ASSETS	\$ 3,198,402	\$ 244,015	\$ 2,191,246	\$ -
Liabilities and Net Assets				
CURRENT LIABILITIES				
Accounts payable	\$ 10,825	\$ -	\$ 38,119	\$ -
Accrued expenses	27,662	-	25,859	-
Notes payable, current portion (Note 6)	12,385	-	8,230	-
TOTAL CURRENT LIABILITIES	50,872	-	72,208	-
LONG-TERM DEBT				
Long-term notes payable (Note 6)	654,005	-	1,137	-
Land note payable, related party (Note 7)	150,000	-	-	-
TOTAL LONG-TERM DEBT	804,005	-	1,137	-
NET ASSETS (Note 5)				
Without donor restrictions	2,343,525	-	2,117,901	-
With donor restrictions	-	244,015	-	-
	2,343,525	244,015	2,117,901	-
TOTAL LIABILITIES AND NET ASSETS	\$ 3,198,402	\$ 244,015	\$ 2,191,246	\$ -

Educated Canines Assisting with Disabilities

Statements of Activities and Changes in Net Assets

Year Ended December 31

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
		<u>Total</u>		<u>Total</u>
REVENUES AND SUPPORT				
Donations and contributions	\$ 859,248	\$ 32,468	\$ 1,022,945	\$ 1,022,945
Grant income	200,000	150,000	200,000	200,000
In-kind services	25,000	-	25,000	25,000
Capital campaign contributions	-	324,163	-	276,998
ECADemy program	21,640	-	40,307	40,307
Day camp income	17,628	-	20,221	20,221
Merchandise sales, net of costs of \$1,542 in 2018 and \$5,318 in 2017	626	-	3,345	3,345
Other income	51,849	-	23,895	23,895
Investment income	9,428	-	5,371	5,371
Realized and unrealized (losses) gains on investments	(22,914)	-	20,655	20,655
Gain on trade-in of vehicles	18,570	-	-	-
Net assets released from restrictions (Note 5)	262,616	(262,616)	625,445	(625,445)
TOTAL REVENUES & SUPPORT	1,443,691	244,015	1,987,184	(348,447)
		1,687,706		1,638,737
EXPENSES				
Program services	981,949	-	791,555	-
General and administrative	110,087	-	107,682	-
Fundraising and development	126,031	-	21,597	21,597
TOTAL EXPENSES	1,218,067	-	920,834	-
CHANGE IN NET ASSETS	225,624	244,015	1,066,350	(348,447)
NET ASSETS AT BEGINNING OF YEAR	2,117,901	-	1,051,551	348,447
NET ASSETS AT END OF YEAR	\$ 2,343,525	\$ 244,015	\$ 2,117,901	\$ -
		\$ 2,587,540		\$ 2,117,901

Educated Canines Assisting with Disabilities

Statement of Functional Expenses

Year End December 31, 2018

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 482,694	\$ 15,475	\$ 91,855	\$ 590,024
Payroll and related taxes	40,965	1,499	7,493	49,957
Advertising	25,018	2,376	3,290	30,684
Bank charges	-	19,669	7,700	27,369
Bookkeeping, accounting & other professional fees	18,142	59,389	-	77,531
Class trips and camp	1,508	-	-	1,508
Depreciation	58,223	-	-	58,223
Dues and subscriptions	14,825	-	6,032	20,857
Education and conferences	2,391	-	-	2,391
Employee benefits	38,945	1,425	7,124	47,494
Food/dog supplies	20,449	1,222	569	22,240
Insurance	38,458	(135)	-	38,323
Internet access and web hosting	2,740	-	-	2,740
Interest expense	20,574	2,558	-	23,132
Kennel expenses	2,900	305	30	3,235
License and registration	795	2,045	1,500	4,340
Miscellaneous	-	56	-	56
Office supplies	5,080	114	-	5,194
Postage and shipping	9,927	82	-	10,009
Public relations	28,713	3	-	28,716
Repairs and maintenance	55,998	2,054	-	58,052
Team training	2,575	-	-	2,575
Telephone	9,886	-	-	9,886
Travel	5,156	100	-	5,256
Transportation and vehicle expenses	28,447	951	-	29,398
Utilities and janitorial services	35,262	899	-	36,161
Veterinary services	32,278	-	438	32,716
TOTAL EXPENSES	\$ 981,949	\$ 110,087	\$ 126,031	\$ 1,218,067

Educated Canines Assisting with Disabilities

Statement of Functional Expenses

Year End December 31, 2017

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 375,736	\$ 1,937	\$ 18,207	\$ 395,880
Payroll and related taxes	35,654	148	1,953	37,755
Advertising	30,526	3,098	57	33,681
Bank charges	-	13,927	-	13,927
Bookkeeping, accounting & other professional fees	37,806	65,990	-	103,796
Class supplies and trips	7,135	-	-	7,135
Depreciation	36,743	-	-	36,743
Dues and subscriptions	11,524	1,277	-	12,801
Education and conferences	1,542	-	-	1,542
Employee benefits	34,765	11,785	-	46,550
Food/dog supplies	24,255	1,421	-	25,676
Insurance	29,272	2,937	-	32,209
Internet access and web hosting	2,482	-	-	2,482
Interest expense	-	916	-	916
Kennel expenses	2,612	291	-	2,903
License and registration	795	-	-	795
Miscellaneous	-	296	-	296
Office supplies	2,682	-	-	2,682
Postage and shipping	16,349	-	-	16,349
Public relations	15,678	2	1,380	17,060
Repairs and maintenance	19,272	2,359	-	21,631
Team training	5,613	67	-	5,680
Telephone	7,239	-	-	7,239
Travel	13,596	-	-	13,596
Transportation and vehicle expenses	25,059	1,139	-	26,198
Utilities and janitorial services	21,459	92	-	21,551
Veterinary services	33,761	-	-	33,761
TOTAL EXPENSES	\$ 791,555	\$ 107,682	\$ 21,597	\$ 920,834

Educated Canines Assisting with Disabilities

Statements of Cash Flows

Year Ended December 31

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 469,639	\$ 717,903
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	58,223	36,743
Gain on trade-in of vehicles	(18,570)	-
Realized and unrealized losses (gains) on investments	22,914	(20,655)
Changes in operating assets and liabilities:		
Accounts receivable	-	5,334
Contributions receivable	(121,547)	(15,000)
Prepaid expenses	(6,983)	(2,019)
Inventory	390	2,067
Accounts payable	(27,294)	9,926
Accrued expenses	1,803	846
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>378,575</u>	<u>735,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(925,920)	(832,061)
Purchases of investments	(32,677)	(81,864)
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(958,597)</u>	<u>(913,925)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	678,584	-
Principal payments on notes payable	(21,561)	(12,495)
NET CASH PROVIDED BY (APPLIED TO) FINANCING ACTIVITIES	<u>657,023</u>	<u>(12,495)</u>
RESULTING IN A NET INCREASE (DECREASE) IN CASH	77,001	(191,275)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>425,344</u>	<u>616,619</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 502,345</u>	<u>\$ 425,344</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	\$ 23,132	\$ 916
Noncash investing and financing activities:		
Acquisition of land via issuance of related party note (Note 7)	\$ 150,000	\$ -

Educated Canines Assisting With Disabilities

Notes to Financial Statements

December 31, 2018

Note 1 – Summary of Significant Accounting Policies

Organization – East Coast Assistance Dogs, Inc. D/B/A Educated Canines Assisting with Disabilities ("ECAD") is a not-for-profit organization established in 1995 whose principal purpose is to train dogs to be the arms and legs for the disabled. ECAD is unique because it custom trains each dog to suit the individual's specific disability. ECAD's overall mission is to provide highly skilled service dogs to increase mobility and independence for people living with disabilities through a variety of programs and services. ECAD is supported by private donations, foundation grants, and revenue related to fee for service programs. ECAD's program operations and administrative functions are conducted on its main campus in Torrington, Connecticut.

Basis of Accounting – The financial statements of ECAD have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities. Revenue is recognized when earned and expenditures when incurred.

Accounting Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation – In August of 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958). The ASU is intended to improve net asset classification requirements as well as information presented in financial statements and notes about a not-for-profit entity's liquidity and availability of resources, and its expenses. The adoption and retroactive application of the ASU by ECAD had no effect on the net assets at December 31, 2017 as previously reported.

ECAD presents in its statements of financial position and changes in net assets two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions (Previously reported as "Unrestricted Net Assets") – These are net assets available for use in general operations and not subject to donor restrictions. At its discretion, the Board of Directors may designate from net assets without donor restrictions amounts to be used for specific purposes.

Net Assets With Donor Restrictions (Previously reported as "Temporarily or Permanently Restricted Net Assets") – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time, the occurrence of certain events, or by the use of the funds as specified by the donor. Other donor-imposed restrictions may be perpetual in nature where the donor stipulates that the funds be maintained in perpetuity.

Donor-restricted revenues, support and gains are recorded as "net assets with donor restrictions" when received or pledged. When a temporary donor-imposed restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, related amounts of "net assets with donor restrictions" are reclassified to "net assets without donor restrictions" and reported in the statement of activities as "net assets released from restrictions" (see Note 5).

Note 1 – Summary of Significant Accounting Policies (Cont.)

Contributions and grants made with donor-imposed restrictions to maintain the principal in perpetuity, while allowing the use of income generated therefrom, are also classified as "net assets with donor restrictions". Income derived from the investment of these perpetual net assets is reported as an increase in "net assets without donor restrictions" or "net assets with donor restrictions" depending on the terms of the donor instrument. Unrealized gains or losses on perpetual net assets are reported as increases or decreases in "net assets with donor restrictions", unless the donor explicitly states otherwise.

Accounts, grants and contributions receivable that are, in effect, "unconditional" are recorded at the present value of future cash flows (see Note 2). Accounts, grants and contributions receivable to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional revenue in accordance with donor-imposed restrictions, if any, on the contributions and grants. When necessary, an allowance for doubtful accounts is estimated and recorded via a charge to operations. On a periodic basis, management evaluates its accounts, grants and contributions receivable and establishes or adjusts its allowance to an amount it believes will be adequate to absorb possible losses on amounts that may become uncollectible, based on evaluations of the collectability of individual accounts, ECAD's history of prior loss experience, and on current economic conditions. Accounts, grants and contributions receivable are charged against the allowance when management believes that the collectability of the specific account is unlikely. The accompanying statements of financial position do not include allowances for doubtful accounts at December 31, 2018 or 2017 as one was not considered necessary by management.

Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributed Services – Donated services are recognized as contributions in accordance with generally accepted accounting principles if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ECAD. When applicable, the value of donated services is included in the accompanying financial statements as support, with corresponding amounts included as expenses, based upon values estimated by management or the donating organization. ECAD received \$25,000 in contributed veterinary services during both 2018 and 2017. ECAD also receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities for these services because the criteria for recognition of such volunteer efforts have not been satisfied.

Investments – Investments in marketable equity securities with a readily determinable fair value (including mutual funds) and all money market funds are reported at fair value, with unrealized gains and losses reflected in the statements of activities (see Note 3).

Fair Value of Financial Instruments – When required by generally accepted accounting principles, ECAD measures the fair value of certain assets and liabilities utilizing valuation inputs that are categorized under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities which an entity has access to at the measurement date.

Level 2: Significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets.

Level 3: Significant unobservable inputs that reflect the investment advisor's determination of assumptions that market participants might reasonably use in valuing the securities.

The carrying amount of cash and cash equivalents approximate fair value under Level I inputs. Investments are carried at fair market value based on Level I and Level 2 observable inputs (see Note 3).

Note 1 – Summary of Significant Accounting Policies (Cont.)

Cash and Cash Equivalents – ECAD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. For purposes of presenting the statements of cash flows, cash and cash equivalents excludes cash held for long term investment.

Inventory – Inventories, consisting of clothing and supplies, are valued at the lower of cost or net realizable value, with cost determined on a first-in first-out basis (FIFO).

Property and Equipment – ECAD's policy is to capitalize property and equipment with an original cost, or fair value if donated, of at least \$1,000 and a useful life in excess of one year. The costs of assets sold or otherwise disposed of, and the accumulated depreciation thereon, are eliminated from the accounts and the resulting gain or loss is reflected in the Statement of Activities and Changes in Net Assets.

Property and equipment are depreciated over their estimated useful lives using a combination of straight line and accelerated methods. Estimated useful lives are as follows:

Equipment and Fixtures	5-10 years
Building and Building Improvements	10-50 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2018 and 2017 was \$58,223 and \$36,743, respectively.

Deferred Revenue – Deferred revenue consists of amounts received for future client training.

Expenses by Nature and Function – The statement of activities and changes in net assets reports expense categories that are attributable to program or supporting functions. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses require allocation to program or supporting functions, which is made on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits which are allocated on the basis of estimated efforts. Other expenses are allocated on the basis of purpose and certain expenses are charged directly to the programs to which they relate.

Advertising – Advertising expense approximated \$31,000 and \$34,000 for the years ended December 31, 2018 and 2017, respectively.

Income Tax Status – ECAD is organized as a Connecticut non-stock corporation and is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, ECAD qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Review of Subsequent Events – Management has evaluated subsequent events involving ECAD for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after December 31, 2018 through May 13, 2019, the date the financial statements were available to be issued.

Note 2 – Contributions Receivable

Contributions receivable, net of discounts, summarized by use restriction are as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign - expansion of facilities	\$ 126,200	\$ -
Time restricted	25,000	-
Unrestricted	-	15,000
Less discount	<u>(14,653)</u>	<u>-</u>
	<u>\$ 136,547</u>	<u>\$ 15,000</u>

Amounts due in:

Less than one year	\$ 66,850	\$ 15,000
One to five years	<u>69,697</u>	<u>-</u>
	<u>\$ 136,547</u>	<u>\$ 15,000</u>

Contributions are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a discount rate of 8.0% at December 31, 2018.

ECAD had two unrecorded conditional promises to give of \$150,000 and \$50,000 at December 31, 2017, which represented grant funds that were expected to be received within one year if certain criteria was met by ECAD. There were no conditional promises to give at December 31, 2018.

Note 3 – Investments

ECAD's investments consist of the following:

December 31, 2018

	<u>Costs</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	\$ 288,068	\$ 264,087	\$ (23,981)
Equity Securities	12,903	41,098	28,195
Money Market Funds	<u>3,629</u>	<u>3,629</u>	<u>-</u>
	<u>\$ 304,600</u>	<u>\$ 308,814</u>	<u>\$ 4,214</u>

December 31, 2017

	<u>Costs</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	\$ 267,277	\$ 278,777	\$ 11,500
Equity Securities	1,525	16,815	15,290
Money Market Funds	<u>3,459</u>	<u>3,459</u>	<u>-</u>
	<u>\$ 272,261</u>	<u>\$ 299,051</u>	<u>\$ 26,790</u>

The fair value of ECAD's cash and cash equivalents, equity securities and mutual funds are based on Level 1 inputs (see Note 1, "Fair Value of Financial Instruments").

Note 4 – Liquidity and Availability

Financial assets available for use by ECAD within one year of the statement of financial position date consist of the following:

Financial assets at year-end:	
Cash and cash equivalents	\$ 502,345
Accounts receivable	1,000
Contributions receivable, net	136,547
Investments	<u>308,814</u>
Total financial assets	948,706
Less amounts not available to be used within one year:	
Donor restricted net assets	<u>(244,015)</u>
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 704,691</u>

ECAD is substantially supported by contributions and grants. In conjunction with any donor restrictions, there are requirements for the resources to be used in a particular manner or in a future period. ECAD has a policy to structure its financial assets to be available and liquid as its obligations come due.

Note 5 – Net Assets

At December 31, 2018, ECAD had net assets with donor restrictions consisting of the following:

Capital campaign - expansion of facilities	\$ 111,547
Project Heal	100,000
Time restricted	25,000
Other	<u>7,468</u>
	<u>\$ 244,015</u>

At December 31, 2017, ECAD did not have any net assets with donor restrictions.

Net assets with restrictions were released for use as follows during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Capital campaign - expansion of facilities	\$ 212,616	\$ 625,445
Project Heal	<u>50,000</u>	<u>-</u>
	<u>\$ 262,616</u>	<u>625,445</u>

Note 6 – Notes Payable

Vehicle Notes Payable – During 2018, ECAD entered into promissory notes for the purchase of two vehicles. The first note is payable in 72 monthly payments of \$605 through January of 2024, including interest at an effective rate of 7.59%. The second note is payable in 60 monthly payments of \$606 through January of 2023, with no stated interest. The aggregate balance of these notes is \$60,177 at December 31, 2018. The balance of two other vehicle notes that existed at December 31, 2017 was \$9,367, which was fully paid during 2018.

Note 6 – Notes Payable (Cont.)

Construction Note Payable – In March of 2018, ECAD entered into a \$600,000 construction loan with its primary bank for the purpose of completing the first phase of the expansion of its facilities (see Note 9). ECAD granted a security interest in substantially all of its property and equipment to serve as collateral under this agreement. Under the terms of the agreement, principal draws are subject to interest-only payments at an interest rate of 4.25%, through March of 2019. At this time, the note will be converted to a permanent note, and equal installments of principal and interest will be payable using a 228-month (19 year) amortization schedule. Interest on the principal balance will change every five years to a rate equal to 2.5% above the FHLB rate on each change date. The balance of the construction loan was \$600,000 at December 31, 2018.

The following is a summary of the principal maturities on the above note, by year:

<u>Year Ending</u> <u>December 31</u>	
2019	\$ 30,497
2020	37,047
2021	37,612
2022	37,545
2023	32,417
Thereafter	<u>491,272</u>
	<u>\$ 666,390</u>

Note 7 – Related Party Transactions

The co-founders of ECAD are a married couple, one of whom serves and is employed as the Executive Director, and the other as the Master Instructor and Client Services Administrator. In addition, their daughter is also employed by ECAD as Director of Marketing and Communications.

Contributions – ECAD received contributions in the amount of \$37,350 in 2018 and \$7,250 in 2017 from members of its Board of Directors, as well as \$5,000 and \$2,500 from the founders in 2018 and 2017, respectively, which are included in grants and donations in the Statements of Activities and Changes in Net Assets.

Land Purchase and Promissory Note – The founders of ECAD (see Note 7) sold a parcel of land to ECAD in March of 2018 in exchange for a \$150,000 promissory note. Under the terms of the agreement, ECAD is required to make interest-only payments at an interest rate of 3% beginning in May of 2018 that will continue through the maturity date in February of 2023, at which time all principal and unpaid interest will be due. ECAD has the option to prepay all or part of the principal balance at any time.

Note 8 – Financial Instruments, Credit Risk and Concentrations

ECAD's financial instruments that may be subject to concentrations of credit risk consist of cash, investments and debt instruments.

Cash – ECAD maintains cash accounts in several financial institutions. The accounts are insured up to \$250,000 by the Federal Deposit Insurance Commission (FDIC). At times, such balances may be in excess of the FDIC limit. ECAD has \$222,000 of account balances in excess of federally insured limits at December 31, 2018, based on bank balances. ECAD has not experienced any losses in its deposit accounts.

Note 8 – Financial Instruments, Credit Risk and Concentrations (Cont.)

Investments – The concentration of investments is presented in Note 3.

Debt – At December 31, 2018, ECAD has outstanding \$600,000 of borrowings from one bank (Note 6), representing 74% of its total borrowings and 70% of its total liabilities. In addition, ECAD has \$150,000 of outstanding borrowings from its founders (see Note 7).

Contributions – In 2018, ECAD received \$450,000 from three donors, representing approximately 27% of its total revenues and support. In 2017, ECAD received \$520,000 from two of these donors and one other donor, representing approximately 31% of its total revenues and support.

Note 9 – Expansion of Facilities

As a result of exceeding its capacity at its current facilities, ECAD commenced a capital campaign to raise funds for a three-phase expansion and facility enhancement program. The first phase that began in a prior year was the construction of an 8,700 square foot training and wellness center to house trained dogs and ECAD clients. The total cost of this phase, which was completed during 2018, was approximately \$1.9 million. The second phase will be to fully equip a full veterinarian office, and construct a quarantine area and expanded office space, and this phase is expected to commence mid-2019. The final phase will be to expand the existing training center. Anticipated costs of the remaining total development are estimated to approximate \$1.5 million.